

Approved 2/13/89
Date

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Representative Keith Roe at
Chairperson

9:00 a.m. ~~pm~~ on February 10, 1989 in room 519-S of the Capitol.

All members were present except:
Representative Fry, absent

Committee staff present:

Tom Severn, Research
Chris Courtwright, Research
Don Hayward, Revisor's Office
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Dr. David Collins - Kansas Geological Survey
Representative Frank Buehler
Grady Bolding - Grady Bolding Corporation
John Bower - royalty owner
Don Schnacke - KIOGA
Frank Novy - KIOGA President
Spencer Depew - KIOGA Chairman
Anne Smith - MESA
John Torbert - Kansas Association of Counties
Rebecca Rice - AMACO

Dr. David Collins gave a presentation of facts relating to HB 2042 and HB 2184. (Attachment 1)

Representative Buehler testified in support of HB 2042, stating that this bill would help the entire economy of Kansas.

Grady Bolding testified in support of HB 2042, stating that severance tax relief for the Kansas oil operator will be a step in the right direction. (Attachment 2)

Representative Joann Flower introduced former Representative John Bower.

John Bower testified in support of HB 2042 and HB 2184, stating that it is time to junk this antiquated, complicated, unfair system, and base the tax for local government directly on the value of sales. (Attachment 3)

Don Schnacke testified for himself and Bernard Nordling in support of HB 2042 and HB 2184, stating that royalty owners also feel this heavy tax load - in fact, even more so than the oil and gas producers. (Attachment 4)

Frank Novy testified in support of HB 2042 and HB 2184, stating that Kansas would be missing the boat if it does not attempt to alleviate the present onerous taxes. (Attachment 5)

Spencer Depew testified in support of HB 2042 and HB 2184, stating that the Kansas producer finds that he is in the most heavily taxed segment of a national energy industry, which industry is in shambles. (Attachment 6)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,
room 519-S, Statehouse, at 9:00 a.m.~~p.m.~~ on February 10, 1989.

Anne Smith testified in support of HB 2184, stating that passage of this bill will help encourage new production. (Attachment 7)

Rebecca Rice testified that she supports HB 2042 and HB 2184.

John Torbert testified in opposition to HB 2042 and HB 2184, stating that in some counties of the state, the impact on their revenue base from reductions in severance tax would be substantial. (Attachment 8)

Additional printed information on HB 2042 and HB 2184 was submitted by John R. Luttjohann, Director of Taxation. (Attachments 9 and 10) Due to time limitations he was unable to speak but was present for the hearing.

Additional printed testimony was presented in opposition to HB 2184 by Alan Steppat of Pete McGill and Associates. Due to limited time remaining in the meeting Mr. Steppat was unable to speak but was present. (Attachment 11)

Chairman Roe concluded the hearings on HB 2042 and HB 2184.

The minutes of February 9, 1989, were approved.

HOUSE COMMITTEE ON TAXATION

DATE 2/10/89

NAME ADDRESS REPRESENTING

Alan Steppat	Topeka	Pete McBill & Associates
Mary Kimmel	M ^o Louth	
John Bunn	Michou M	self
Karen Prater	Topeka	
Bill Bryson	Topeka	KCC
Gerhard Metz	"	KCCI
Walter Durr	"	EKOGA
Robert Anderson	Ottawa	Med Cont Oil & Gas
R. E. RANCHARAN	Hays	Hays Daily News
Grady Buckley	Hust Bud	Grady Buckley Corp
Harriet Collins	Ks Geological Survey	Insurance
John Parks	DSOB	KDOR
Bob Allard	" " "	" " "
John Lutzham	"	"
John Tarkenton	"	KAC
Rep Joann Flower	RR2, Box 5 Oskie	
Don Schwank	Topeka	KIOGA
Dana Ferrell	"	Budget
Anne Smith	Topeka	Hein & Ebert - Mesa
Jim McBrink	Topeka	Observer
REP BOB MEARS	Lawrence Rock Great Bend, Ks.	Constituents Professional
REP FAYAL BUEGLER	Chapin Ks.	Constituents Professional
Jeff Chanay	Topeka	KIOGA
Spencer Depew	Wichita	KEOGA



KANSAS GEOLOGICAL SURVEY

1930 Constant Ave., Campus West
The University of Kansas
Lawrence, Kansas 66046-2598
913-864-3965

Statement by Dr. David R. Collins
Manager of Technical Information Services
Kansas Geological Survey
Lawrence, Kansas

Presented to the House Committee on Taxation
Representative Keith Roe, Chairman
RE: HB 2042 and HB 2184

Friday, February 10, 1989

Chairman Roe and members of the committee, I am glad to be here today in response to your request for a presentation of facts relating to HB 2042 and HB 2184.

I do not intend to speak for or against either bill. I hope to provide you with information which will assist your consideration of these bills. In particular I would like to address:

1. The trend in property tax rates throughout Kansas.
2. The trend in the value of property taxes paid by oil and gas producers compared with the gross value of the production.
3. The resulting trends in the combination of property and severance taxes.
4. Market conditions related to crude oil and natural gas.
5. Drilling trends.
6. Production trends.
7. Fiscal impact of the proposed bills.

Attached to this statement are a series of maps, tables and graphs relating to these topics.

The first three maps illustrate the distribution and trend in mill levies on the assessed value of rural tangible property in Kansas. The maps are followed by a table of rural property tax rates for the state and all 105 counties from 1972 to 1987. The trend in the average rural mill levy for the state (1972-1986) is

*2/10/89
Attachment 1*

shown in a graph following the table. In 1987 the average rural mill levy was 92.97 dollars per \$1000 assessed valuation.

If the assessed value of a property was gradually decreasing in relation to the market value (a common problem with residential properties) then the increased mill levies would not necessarily reflect higher tax rates on the true market value of the property. However, annual assessments are made of the value of oil and gas properties. The result has been an increase in property taxes as a percent of the assessed value of oil and gas properties.

Because the assessment procedure ties the assessed value directly to recent prices of crude oil or natural gas, the trend has been for property taxes to increase as a percent of the gross value of current production. This has an even stronger impact on the net value (or profits).

The second table gives an indication of how property taxes have compared to the gross value of production. A study in 1959 indicated that the 1958 property taxes were 2.87 % of the combined gross value of oil and gas production in the state. I have estimated that in 1984 these rates were 4% for oil and 6.7% for gas. In 1986 the were 6% for oil and 8.1 % for gas. Figures for 1987 (not shown) indicate that the 1987 property taxes on oil and gas amounted to 5.8% of their combined gross value.

The current severance tax rates applied to the gross value of crude oil (4.33%) and natural gas (7%) were developed by deducting a percentage considered to represent the equivalent impact of property taxes at that time (3.67%) from the 8% tax specified in the 1983 statute. In the case of natural gas this deduction was reduced because of anticipated pass-through of the tax to out-of-state consumers. This capability has reportedly been eliminated by more recent contracts for purchase of natural gas.

The combined payments of property taxes and severance taxes on oil and gas are shown in the next graph. property taxes did not decline as sharply as severance taxes with the oil price collapse in 1986. This was because counties increased mill levies to partially offset lost property values and thus maintain revenues.

The next three graphs show the recent history of oil prices, gas prices and drilling activity which is strongly (but not totally) driven by these prices. Throughout 1988 the rig count (not shown) remained between 33 and 46 active rigs in Kansas.

On the next graph (Kansas Crude Oil Production) a dividing line separates production from leases developed since 1970 (above the line) and production from pre-1970 leases (below the line). We have been developing crude oil production in Kansas for 100 years, but by 1984 over 50% of our annual production was from leases developed in the past 15 years.

This emphasizes the importance of development and exploration drilling in maintaining the economic strength of the industry in the state.

The final map shows the distribution of oil and gas producing areas in Kansas.

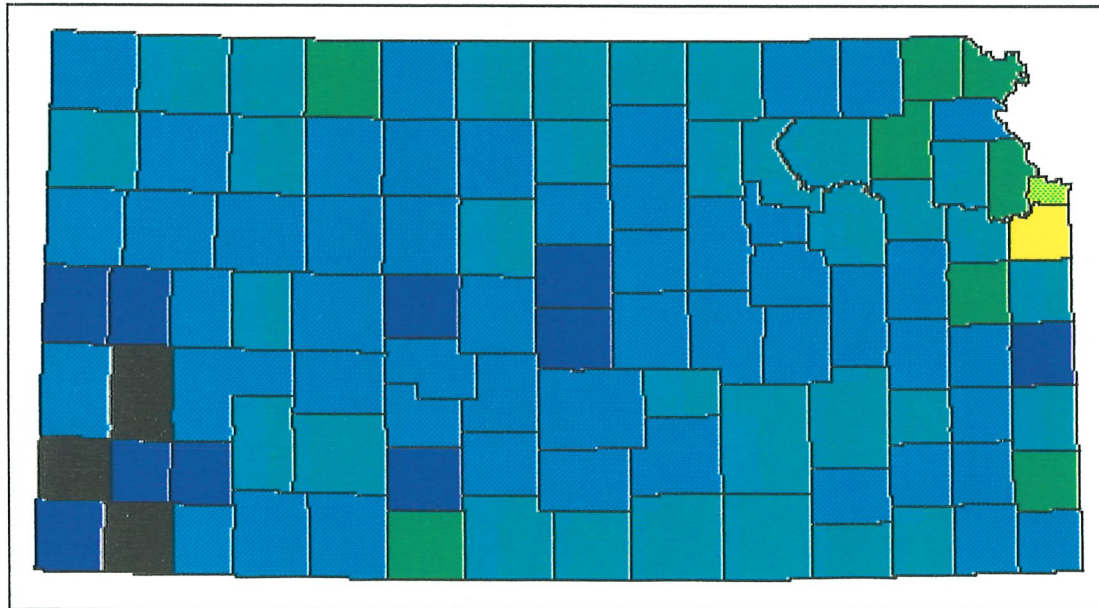
Regarding the fiscal notes on the proposed bills, I have provided Michael O'Keefe, Director of the Budget, with a fiscal analysis of HB 2042 in which I estimated that for FY 1990 the bill would exempt an additional 11 million barrels of production with additional tax exemptions of approximately \$8.2 million at a price of \$17.25 per barrel. Each dollar change from this value of the FY 1990 average price of crude oil would result in a corresponding \$470,000 change in additional tax exemptions.

The fiscal note on HB 2184 would be a straight percentage (2.67%) of the anticipated value of taxable production. The latest estimate of the Revenue Consensus Group (on which I participate) is that the taxable value of natural gas production in FY 1990 will be about \$895 million. At this level, the direct impact would be approximately \$23.9 million in additional tax exemptions.

In both cases, the reduced severance taxes would result in higher property valuations. There would also be greater incentives for increased drilling to develop new taxable production, with associated employment benefits.

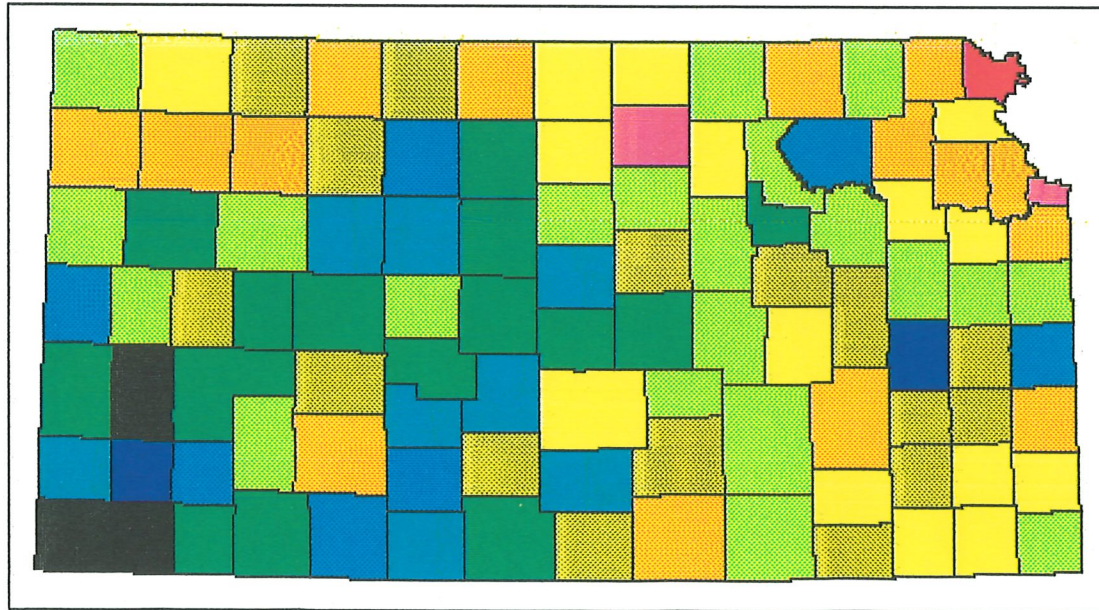
I would be glad to consider any questions which you may have.

AVERAGE TAX RATE ON RURAL TANGIBLE PROPERTY -- 1973



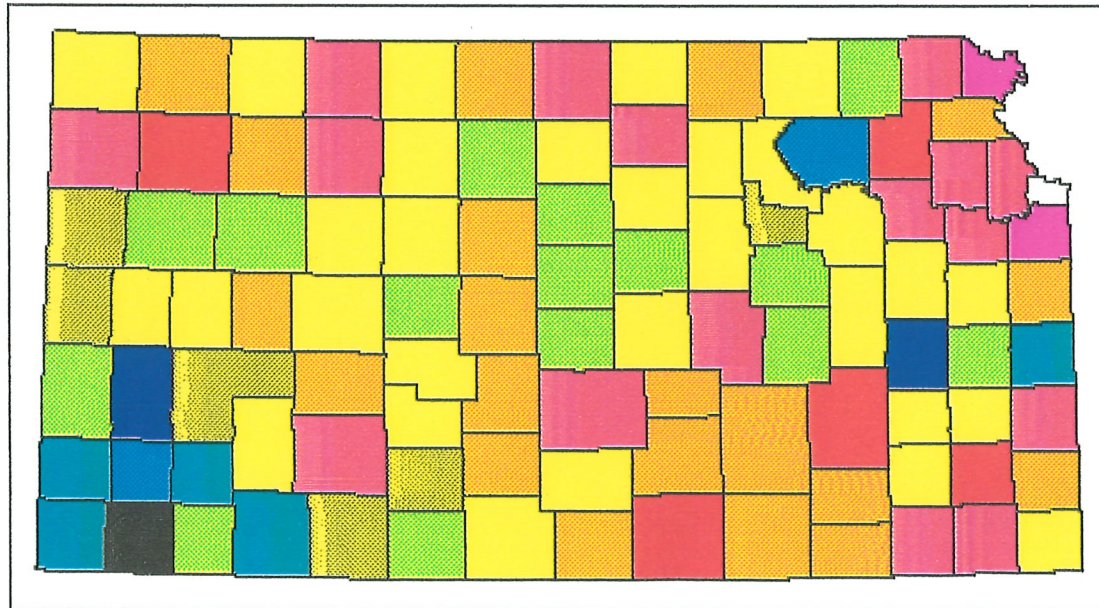
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AVERAGE TAX RATE ON RURAL TANGIBLE PROPERTY -- 1983



1-5

AVERAGE TAX RATE ON RURAL TANGIBLE PROPERTY -- 1987



4 6 8 10 12 14 16
TAX RATE (%)

10

AVERAGE RURAL PROPERTY TAX RATE PER \$1000 ASSESSED VALUATION

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
STATE	63.30	57.30	64.50	66.80	68.00	70.60	70.30	68.90	68.90	73.10	72.20	78.30	80.29	85.05	88.49	92.97
ALLEN	69.00	56.20	65.80	67.80	69.80	76.40	71.80	73.40	77.10	86.70	83.70	89.30	84.27	91.94	91.78	102.84
ANDERSON	61.70	53.10	61.20	61.80	63.90	72.30	70.10	68.80	72.30	75.70	75.00	85.80	84.21	98.25	96.75	96.84
ATCHISON	76.40	56.90	75.50	74.80	80.80	94.00	88.40	81.20	85.30	90.50	95.40	103.50	105.44	109.65	114.55	118.08
BARBER	59.80	63.50	73.90	74.70	76.00	71.80	71.60	71.20	66.80	74.00	69.30	79.40	73.83	87.12	100.66	109.97
BARTON	55.30	56.90	54.80	55.60	58.80	64.70	68.40	67.40	65.00	67.40	59.60	72.00	75.92	87.15	98.76	115.54
BOURBON	69.60	62.50	73.10	78.20	81.10	85.40	84.10	84.40	92.30	101.90	111.30	110.20	111.07	113.80	122.38	123.72
BROWN	75.20	71.40	83.10	84.90	85.90	92.80	89.20	90.60	100.50	99.90	103.40	117.00	117.02	123.91	126.56	127.96
BUTLER	74.40	62.40	68.90	69.70	71.10	76.40	78.20	75.00	74.30	77.60	79.30	92.50	86.16	96.03	107.01	118.34
CHASE	53.40	59.90	63.60	61.80	68.60	72.20	75.30	75.50	87.10	96.10	94.70	101.10	84.80	82.91	94.74	98.40
CHAUTAQUA	66.10	62.20	69.90	70.60	72.40	76.10	75.50	75.56	72.60	78.60	76.80	86.90	87.11	92.70	97.97	110.93
CHEROKEE	70.50	55.80	64.10	66.90	70.00	70.70	65.30	68.90	77.60	86.50	90.90	94.90	89.37	106.48	110.59	109.74
CHEYENNE	59.40	57.40	63.80	63.10	65.00	68.30	69.80	67.50	68.90	70.90	80.60	96.10	92.84	103.41	104.61	108.09
CLARK	40.00	52.60	54.40	57.80	63.50	64.20	66.40	66.40	54.40	57.30	57.30	56.30	64.40	73.43	77.04	82.85
CLAY	62.60	63.10	74.90	76.60	77.50	84.50	86.10	86.80	93.60	96.10	98.30	107.70	101.34	111.01	108.42	105.75
CLOUD	65.00	59.00	71.70	73.80	76.30	82.10	81.20	81.00	92.60	99.10	103.60	121.40	116.64	121.66	119.28	126.17
COFFEY	64.80	56.90	66.50	66.60	62.60	68.20	55.50	41.30	43.40	47.20	40.00	41.00	40.07	38.92	39.03	41.86
COMANCHE	59.00	71.30	74.20	71.30	75.30	77.20	73.40	67.30	64.60	62.30	61.90	63.30	67.55	85.09	91.04	93.44
COWLEY	72.20	64.80	73.60	70.60	72.60	76.30	76.50	76.00	81.50	86.20	88.90	97.40	98.63	109.41	114.72	118.47
CRAWFORD	78.80	70.80	70.00	78.70	88.40	97.30	94.50	96.00	91.80	93.80	97.50	102.10	103.25	108.91	110.82	112.18
DECATUR	65.40	61.80	69.30	77.60	78.00	80.50	78.30	78.80	75.10	76.00	71.60	83.90	80.35	88.13	95.64	105.89
DICKINSON	67.20	56.70	71.30	77.30	79.40	84.30	83.40	82.60	85.60	92.00	89.50	97.70	93.33	105.59	101.84	106.15
DONIPHAN	88.10	76.10	87.30	91.50	94.30	112.20	115.50	117.10	114.40	121.50	121.90	138.90	139.35	152.89	140.41	146.93
DOUGLAS	73.70	63.90	72.00	76.10	77.70	80.40	82.60	83.20	89.30	94.50	92.30	100.10	103.20	111.73	120.27	126.63
EDWARDS	49.00	53.10	61.50	61.20	67.30	64.70	66.40	60.30	56.00	61.10	56.30	66.50	75.22	78.00	87.04	102.45
ELK	59.50	55.90	66.30	65.70	66.40	84.30	81.20	76.20	83.00	86.00	94.80	104.90	98.36	104.55	103.03	115.80
ELLIS	56.20	52.00	58.10	57.70	61.20	59.80	64.90	62.60	58.30	60.00	59.10	66.90	71.21	83.72	90.86	105.21
ELLSWORTH	44.70	46.80	49.30	53.80	55.90	57.10	57.40	54.50	54.90	59.00	60.60	67.40	68.00	77.87	86.21	95.53
FINNEY	53.70	51.00	58.20	59.00	61.40	66.40	64.50	66.80	67.50	72.00	65.80	70.60	68.93	78.54	87.24	87.26
FORD	64.80	61.10	74.70	68.10	73.60	79.70	80.40	85.00	92.60	99.20	101.10	114.50	113.43	123.16	120.87	125.44
FRANKLIN	80.10	72.70	78.30	82.90	84.90	87.50	89.90	88.30	92.50	92.70	91.70	98.00	90.98	98.59	103.49	103.85
GEARY	64.50	56.50	59.50	68.90	68.80	72.00	68.40	65.80	68.40	69.80	65.20	71.40	71.67	81.57	82.48	86.41
GOVE	59.60	52.20	68.60	65.60	67.30	75.10	74.70	73.90	71.70	79.10	78.70	90.40	91.41	88.31	88.89	98.04
GRAHAM	63.00	59.90	56.00	59.10	62.60	73.10	69.90	73.80	62.50	73.10	76.70	85.30	85.87	96.71	111.77	125.10
GRANT	37.30	40.40	41.20	43.80	38.90	41.00	40.00	38.00	35.10	39.70	41.90	41.40	51.59	54.86	52.33	56.39
GRAY	58.20	60.10	65.10	66.10	69.00	70.50	73.70	73.50	79.10	77.40	81.20	96.60	99.57	110.69	106.69	107.5

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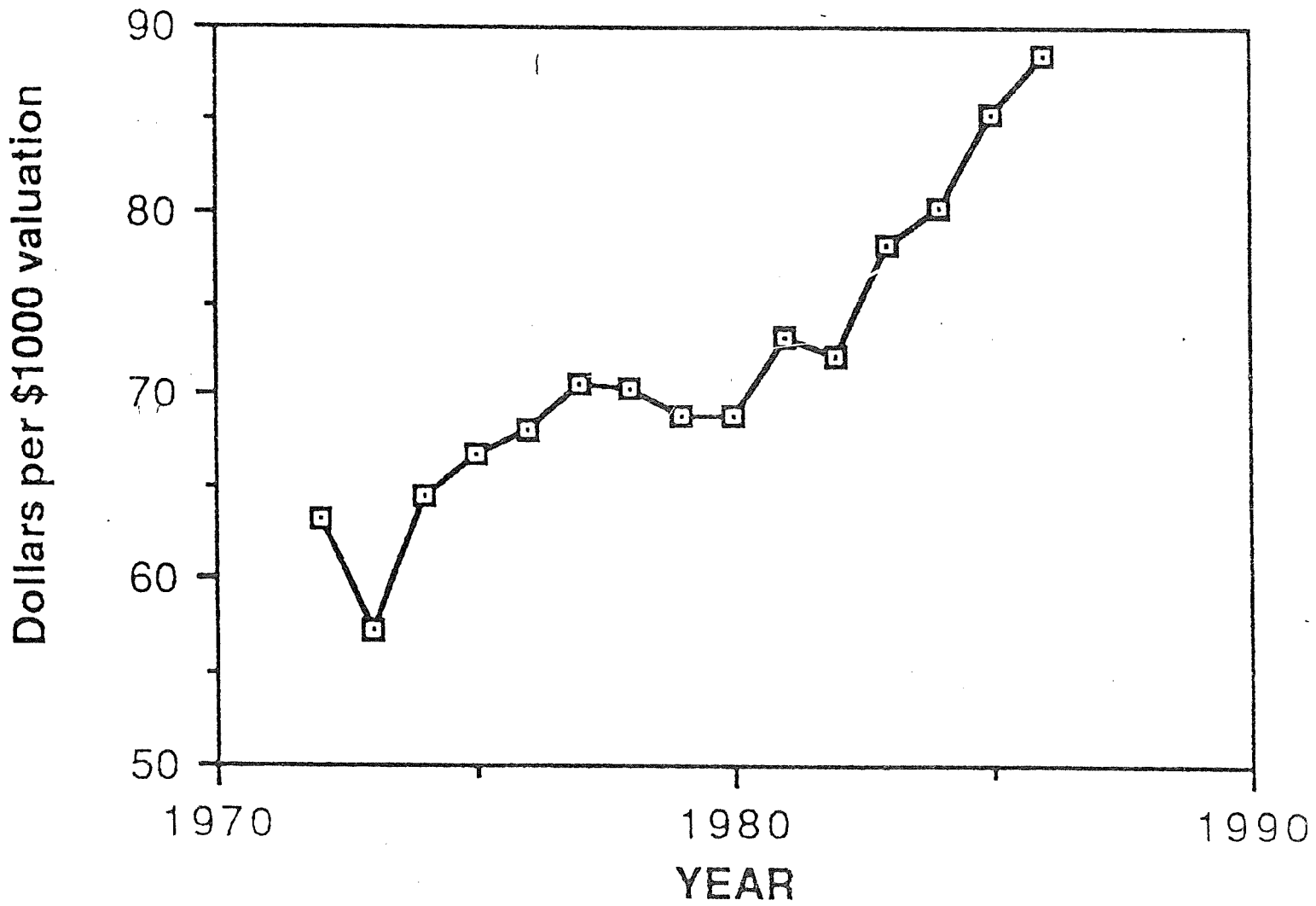
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
GREELEY	42.80	49.80	54.30	54.40	58.60	55.90	56.40	55.90	55.30	52.70	53.70	58.10	50.47	53.01	73.31	83.86
GREENWOOD	63.40	63.40	80.20	78.60	79.30	83.50	77.70	81.90	81.00	82.70	95.50	113.40	109.81	121.50	128.60	132.18
HAMILTON	59.90	54.70	59.50	70.30	61.90	66.90	66.40	69.00	63.80	62.20	68.10	72.00	77.28	81.36	100.72	99.59
HARPER	57.10	65.40	69.00	65.30	66.10	68.50	74.30	75.50	76.40	78.30	83.80	85.70	83.02	86.51	105.53	116.59
HARVEY	78.00	63.40	70.90	78.00	78.00	82.70	82.20	81.20	81.00	85.20	84.50	92.20	92.75	104.79	108.46	119.11
HASKELL	36.50	45.90	45.30	51.10	51.80	54.10	54.60	47.90	45.80	53.00	52.30	52.40	57.14	59.71	58.46	61.93
HODGEMAN	52.50	57.20	60.00	62.20	67.40	70.00	74.60	78.20	79.30	80.60	76.50	85.70	101.43	107.04	120.64	119.07
JACKSON	97.40	72.40	98.40	93.70	101.80	107.50	99.40	96.50	105.80	104.00	111.50	115.40	127.37	126.40	128.45	131.36
JEFFERSON	88.50	68.30	95.80	97.30	96.60	97.90	89.80	91.20	94.70	100.10	104.20	111.80	110.42	119.03	117.11	122.41
JEWELL	70.90	65.10	78.30	82.10	87.60	92.90	89.70	90.50	84.90	90.40	104.00	127.00	128.97	137.98	127.82	127.76
JOHNSON	103.20	102.00	110.30	91.10	89.40	95.90	93.30	91.50	94.20	108.50	108.90	116.80	120.30	126.00	135.15	149.15
KEARNY	36.70	37.90	39.90	43.70	42.70	38.00	41.70	38.00	31.80	37.60	40.00	37.90	47.10	47.68	42.87	40.73
KINGMAN	51.40	54.00	59.80	59.30	57.60	56.20	57.60	59.20	54.40	65.30	64.40	67.90	65.77	79.05	87.44	101.84
KIOWA	40.50	47.50	48.80	54.30	57.80	60.20	59.60	59.90	55.50	51.80	51.60	55.80	58.04	65.97	72.24	87.24
LABETTE	71.00	59.50	68.70	89.00	86.70	93.70	89.20	88.90	97.00	101.60	108.80	109.30	110.35	111.42	113.55	120.97
LANE	62.70	65.60	65.40	74.50	70.60	77.90	82.10	75.20	76.30	76.80	79.20	77.80	79.01	83.50	90.91	116.28
LEAVENWORTH	97.70	72.60	86.00	95.20	94.90	101.30	103.50	100.90	109.70	113.70	113.90	112.00	114.74	117.04	123.47	129.43
LINCOLN	50.10	54.20	61.20	67.90	69.80	72.80	72.30	75.80	84.10	85.70	84.40	95.10	97.41	105.41	99.13	93.86
LINN	59.40	45.90	45.80	44.20	42.90	43.30	43.40	45.60	50.70	50.50	52.70	57.30	56.11	61.07	63.26	67.25
LOGAN	52.30	54.50	57.70	62.80	64.60	69.80	69.90	69.90	71.20	73.80	70.40	76.40	78.22	83.63	91.23	93.49
LYON	62.10	54.00	66.10	68.20	68.20	72.00	72.90	76.70	77.80	83.80	81.70	89.00	89.12	96.22	98.60	106.52
MCPHERSON	60.70	52.50	62.60	70.60	71.90	79.80	77.70	79.30	75.80	79.80	78.00	79.90	88.12	93.42	96.83	101.98
MARION	61.40	54.40	66.60	74.50	76.20	83.40	85.40	82.70	81.30	89.90	86.80	90.70	93.08	99.50	99.42	100.34
MARSHALL	64.70	56.50	68.90	70.80	75.40	81.80	83.10	79.90	94.20	100.50	96.30	117.00	112.01	121.36	122.75	121.30
MEADE	49.70	52.60	59.40	58.80	61.10	63.20	57.30	56.70	58.20	62.90	57.30	55.60	59.16	58.95	62.59	66.69
MIAMI	73.00	60.40	69.80	82.40	84.70	87.00	87.90	82.20	90.10	89.80	89.10	94.30	94.11	101.36	108.49	110.73
MITCHELL	59.20	66.30	85.80	80.50	83.90	84.10	85.30	84.70	91.20	102.80	100.00	109.70	106.73	114.95	102.87	103.34
MONTGOMERY	81.90	64.50	74.70	78.50	80.40	84.40	80.10	81.90	88.00	95.70	97.20	107.80	107.20	112.28	115.40	121.90
MORRIS	68.20	59.10	69.90	74.60	77.80	84.30	83.60	78.50	80.50	83.40	78.00	83.80	79.21	92.79	92.54	97.38
MORTON	35.90	41.00	40.20	42.60	45.60	46.00	45.20	42.10	42.50	40.90	37.30	39.80	46.32	55.42	57.12	61.72
NEMAHA	77.60	58.00	70.50	73.70	73.20	76.50	75.80	72.40	82.20	88.60	89.20	99.90	98.65	104.18	95.10	95.95
NEOSHO	67.60	59.90	72.70	76.20	85.90	91.90	86.00	86.00	94.50	93.10	103.00	104.30	118.38	117.60	117.57	130.77
NESS	53.30	54.70	58.30	53.90	59.60	63.40	64.30	67.60	65.70	65.40	63.70	72.60	88.46	88.86	94.84	100.24
NORTON	77.40	72.70	77.90	83.60	85.50	90.00	86.80	83.20	81.30	90.40	89.50	110.60	102.87	112.47	114.22	121.73
OSAGE	67.00	55.60	70.90	72.20	73.70	80.60	74.80	73.50	80.90	85.00	88.00	99.50	99.81	104.77	100.48	104.89
OSBORNE	57.80	56.60	65.30	63.20	62.50	73.50	72.80	72.90	73.10	77.50	70.10	79.30	80.05	88.80	94.27	97.81
OTTAWA	52.80	51.10	58.00	70.30	72.20	73.50	78.30	71.20	78.30	86.00	87.90	91.80	90.11	105.69	103.77	104.97
PAWNEE	49.50	54.90	59.30	62.80	63.80	62.80	67.10	64.40	65.40	71.20	71.90	77.00	81.62	88.82	94.29	103.7

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	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
PHILLIPS	63.80	55.30	64.70	67.60	65.90	70.50	70.90	66.20	60.10	75.70	75.50	85.70	95.50	94.42	96.65	108.16
POTTAWATOMIE	72.80	68.20	81.60	81.20	75.00	62.80	55.30	48.60	50.40	54.10	49.30	51.60	50.74	53.37	54.62	55.50
PRATT	55.40	58.50	68.20	68.90	73.20	72.40	74.80	72.70	68.50	79.50	79.30	84.50	80.63	90.73	91.15	111.28
RAWLINS	65.90	60.20	71.00	72.30	75.80	79.70	76.90	80.40	74.60	90.40	94.70	108.70	103.75	107.23	108.85	119.60
RENO	68.00	56.50	67.30	73.10	75.60	77.00	79.00	77.80	82.50	89.20	90.30	106.60	103.78	118.58	120.11	124.58
REPUBLIC	64.70	62.80	70.50	80.20	80.50	89.20	92.20	89.90	89.80	96.20	92.10	108.00	104.09	120.82	113.12	108.23
RICE	52.90	49.90	53.70	55.30	58.60	62.60	60.90	63.90	62.70	67.60	65.00	73.30	75.95	86.32	90.51	99.26
RILEY	69.30	65.50	73.50	75.40	76.30	76.20	74.50	75.10	74.00	83.80	82.20	90.70	94.53	98.27	104.70	103.49
ROOKS	57.60	54.00	51.80	50.80	52.70	54.60	53.80	51.10	47.70	53.30	52.30	55.40	57.03	68.62	88.40	100.72
RUSH	49.90	49.40	53.40	62.60	64.50	73.50	72.80	74.40	73.00	82.30	88.90	90.30	83.71	91.28	91.95	96.48
RUSSELL	67.20	64.20	65.40	59.30	63.50	69.40	71.20	67.00	76.30	75.10	71.20	76.60	87.90	79.85	105.01	115.78
SALINE	67.70	57.00	62.60	64.50	75.30	81.00	79.90	74.00	77.90	83.60	78.80	83.00	86.67	91.25	91.24	91.60
SCOTT	48.80	52.80	61.60	59.50	65.50	69.40	70.90	74.70	75.00	80.40	71.50	88.80	76.13	97.81	92.90	107.11
SEDGWICK	85.50	58.20	69.10	71.40	71.80	72.10	74.00	70.90	76.50	75.00	76.20	88.30	109.59	102.12	102.98	110.09
SEWARD	56.60	59.20	63.00	64.00	66.60	62.40	67.90	63.80	66.30	68.20	75.40	79.60	77.78	79.71	87.70	90.56
SHAWNEE	85.40	63.10	72.10	77.40	76.20	82.20	84.70	86.60	96.10	103.70	103.00	108.60	113.17	115.81	116.47	128.11
SHERIDAN	76.80	63.80	73.70	74.30	79.00	84.60	90.30	88.30	92.60	92.10	95.20	114.00	115.85	115.53	112.15	119.57
SHERMAN	70.60	62.50	66.70	63.30	68.40	79.00	83.90	88.60	79.30	96.70	95.80	111.20	106.38	114.91	122.88	121.24
SMITH	71.00	68.50	74.40	80.70	81.90	85.70	88.20	87.00	88.40	90.10	95.50	111.20	107.72	121.66	115.36	111.73
STAFFORD	51.70	56.00	59.60	52.80	62.10	60.80	64.90	62.40	58.90	62.00	59.80	69.30	78.71	83.09	97.17	117.99
STANTON	39.20	39.40	46.90	52.30	54.30	49.90	51.40	53.30	49.10	48.50	52.70	61.80	65.20	73.74	70.77	68.46
STEVENS	29.20	35.10	37.70	33.90	37.70	35.70	35.70	35.40	32.30	29.10	29.80	31.10	33.86	38.32	39.59	37.64
SUMNER	81.20	66.00	76.90	81.60	81.70	87.00	84.70	87.60	87.90	97.00	100.50	117.20	119.18	123.26	131.39	138.39
THOMAS	58.10	55.80	66.40	69.20	67.60	76.50	77.30	79.60	85.40	96.80	92.40	116.90	115.59	119.57	120.96	130.37
TREGO	60.50	58.40	64.00	65.00	70.40	68.10	69.50	70.50	66.60	65.10	63.70	63.10	57.54	80.41	89.51	109.52
WABAUNSEE	69.40	65.20	74.70	85.30	79.00	85.70	77.20	80.70	89.40	98.60	94.10	99.50	98.52	101.18	109.67	108.56
WALLACE	54.80	55.10	54.10	60.60	59.10	65.70	68.00	69.90	67.90	75.70	74.30	91.40	100.11	116.29	106.14	87.70
WASHINGTON	60.40	60.90	67.20	70.30	71.00	72.90	78.10	77.20	83.30	83.90	81.80	92.30	92.30	104.07	108.59	114.53
WICHITA	45.90	45.20	53.80	58.80	60.60	61.70	63.90	67.10	64.70	65.60	69.10	90.90	93.61	93.06	96.55	106.44
WILSON	63.60	52.00	67.40	70.20	73.70	73.90	70.20	65.80	73.80	82.90	82.00	86.80	95.72	96.95	101.44	105.91
WOODSON	70.30	60.60	74.30	71.60	74.30	75.70	70.90	72.60	73.30	79.00	77.40	86.30	86.27	91.13	94.81	104.12
WYANDOTTE	127.30	98.50	70.50	84.10	110.40	118.90	117.50	115.20	109.90	131.40	139.80	122.70	125.25	138.20	124.62	168.90

Source: Kansas Department of Revenue, Division of Property Valuation, Statistical Report of Property Assessment and Taxation

Kansas Average Rural Mill Levy



County property taxes for oil or gas production properties (royalty and working interests) expressed as a percent of the corresponding gross value of production in the county.

COUNTY	CODE	1986		CODE	1984	
		OIL %	GAS %		OIL %	GAS %
Allen	1	2.9	.0	1	1.1	.0
Anderson	2	2.0	.0	2	2.0	.0
Atchison	3	.0	37.9	3	.0	.0
Barber	4	5.9	6.9	4	3.6	3.8
Barton	5	7.1	.0	5	4.4	.0
Bourbon	6	5.7	.0	6	2.7	.0
Brown	7	19.5	.0	7	8.4	.0
Butler	8	5.2	.0	8	4.0	.0
Chase	9	1.6	15.0	9	4.7	6.6
<u>Chautauqua</u>	<u>10</u>	<u>4.9</u>	<u>8.0</u>	<u>10</u>	<u>3.3</u>	<u>4.0</u>
Cherokee	11	.0	.0	11	.0	.0
Cheyenne	12	7.5	5.9	12	5.5	3.2
Clark	13	4.6	5.0	13	3.7	4.2
Clay	14	.0	.0	14	.0	.0
Cloud	15	.0	.0	15	.0	.0
Coffey	16	1.5	.0	16	1.8	2.4
Comanche	17	6.6	9.5	17	3.1	4.8
Cowley	18	6.9	4.9	18	4.1	3.8
Crawford	19	2.5	2.8	19	2.5	9.7
<u>Decatur</u>	<u>20</u>	<u>5.4</u>	<u>.0</u>	<u>20</u>	<u>3.3</u>	<u>.0</u>
Dickinson	21	5.7	.0	21	4.7	.0
Doniphan	22	.0	.0	22	.0	.0
Douglas	23	2.5	.0	23	2.0	.0
Edwards	24	5.2	8.6	24	3.8	5.8
Elk	25	5.6	8.6	25	3.4	1.8
Ellis	26	6.3	.0	26	3.9	.0
Ellsworth	27	5.7	11.3	27	2.8	6.5
Finney	28	6.6	14.4	28	3.7	9.9
Ford	29	16.0	10.7	29	7.8	6.6
<u>Franklin</u>	<u>30</u>	<u>3.3</u>	<u>.0</u>	<u>30</u>	<u>12.8</u>	<u>.0</u>
Geary	31	4.0	.0	31	.0	.0
Gove	32	6.1	.0	32	4.3	.0
Graham	33	7.6	.0	33	4.3	.0
Grant	34	2.4	8.3	34	3.6	8.8
Gray	35	8.8	18.4	35	6.8	63.5
Greeley	36	2.6	34.4	36	6.1	9.6
Greenwood	37	7.1	.0	37	3.1	.0
Hamilton	38	.0	20.3	38	.0	15.2
Harper	39	10.2	5.2	39	5.0	5.1
<u>Harvey</u>	<u>40</u>	<u>7.1</u>	<u>8.8</u>	<u>40</u>	<u>6.1</u>	<u>12.8</u>
Haskell	41	8.1	9.4	41	4.0	8.3
Hodgman	42	8.1	10.9	42	5.6	7.2
Jackson	43	2.9	.0	43	5.0	.0
Jefferson	44	7.0	5.6	44	.0	.0
Jewell	45	.0	.0	45	.0	.0
Johnson	46	6.5	18.0	46	2.4	10.8
Kearny	47	3.4	7.7	47	2.3	7.5

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COUNTY	CODE	1986		CODE	1984	
		OIL %	GAS %		OIL %	GAS %
Kingman	48	8.2	5.7	48	4.6	4.7
Kiowa	49	6.8	7.9	49	3.7	3.9
Labette	50	5.2	.0	50	2.6	.0
Lane	51	5.1	.0	51	3.4	.0
Leavenworth	52	14.4	2.4	52	4.1	6.4
Lincoln	53	.0	.0	53	.0	.0
Linn	54	3.3	7.9	54	1.3	.0
Logan	55	5.5	.0	55	4.4	.0
Lyon	56	3.8	299.1	56	3.0	.3
<u>McPherson</u>	<u>57</u>	<u>5.4</u>	<u>18.9</u>	<u>57</u>	<u>5.9</u>	<u>4.0</u>
Marion	58	7.4	12.9	58	5.0	5.0
Marshall	59	.0	.0	59	.0	.0
Meade	60	5.2	4.9	60	2.4	3.1
Miami	61	3.0	.0	61	1.5	.0
Mitchell	62	.0	.0	62	.0	.0
Montgomery	63	3.6	4.8	63	3.3	4.2
Morris	64	6.5	9.0	64	4.0	2.9
Morton	65	4.4	8.4	65	1.8	8.9
Nemaha	66	8.1	.0	66	6.9	.0
<u>Neosho</u>	<u>67</u>	<u>3.5</u>	<u>.8</u>	<u>67</u>	<u>2.7</u>	<u>.0</u>
Ness	68	6.4	.0	68	4.3	.0
Norton	69	8.4	.0	69	5.8	.0
Osage	70	1.7	.0	70	3.5	.0
Osborne	71	7.6	.0	71	4.8	.0
Ottawa	72	.0	.0	72	.0	.0
Pawnee	73	5.9	10.5	73	3.9	9.2
Phillips	74	8.3	.0	74	6.1	.0
Pottawatomie	75	.0	.0	75	5.8	.0
Pratt	76	5.8	7.8	76	4.9	4.8
<u>Rawlins</u>	<u>77</u>	<u>5.7</u>	<u>.0</u>	<u>77</u>	<u>4.1</u>	<u>.0</u>
Reno	78	6.9	7.5	78	5.4	7.8
Republic	79	.0	.0	79	.0	.0
Rice	80	5.0	3.8	80	3.4	5.5
Riley	81	10.9	.0	81	13.1	.0
Rooks	82	4.9	.0	82	3.0	.0
Rush	83	7.4	18.7	83	5.0	7.3
Russell	84	6.4	5.8	84	8.1	3.6
Saline	85	5.7	.0	85	4.2	.0
Scott	86	5.1	56.2	86	2.8	17.4
<u>Sedgwick</u>	<u>87</u>	<u>7.5</u>	<u>.0</u>	<u>87</u>	<u>6.8</u>	<u>.0</u>
Seward	88	8.9	9.6	88	3.6	5.9
Shawnee	89	.0	.0	89	.0	.0
Sheridan	90	11.5	.0	90	5.0	.0
Sherman	91	11.0	7.8	91	3.5	.0
Smith	92	.0	.0	92	.0	.0
Stafford	93	4.8	11.7	93	3.3	4.6
Stanton	94	4.2	10.3	94	4.8	10.0
Stevens	95	2.3	5.5	95	1.3	6.1
Sumner	96	8.4	7.2	96	5.6	10.5
<u>Thomas</u>	<u>97</u>	<u>8.3</u>	<u>.0</u>	<u>97</u>	<u>4.7</u>	<u>.0</u>
Trego	98	5.5	.0	98	3.6	.0

1-12

COUNTY	CODE	1986		CODE	1984	
		OIL %	GAS %		OIL %	GAS %
Wabaunsee	99	11.1	.0	99	5.4	.0
Wallace	100	.6	22.1	100	.4	.0
Washington	101	.0	.0	101	.0	.0
Wichita	102	12.3	5.5	102	4.5	14.6
Wilson	103	3.7	9.3	103	2.9	6.5
Woodson	104	4.7	315.7	104	3.3	.0
Wyandotte	105	.0	.0	105	.0	.0
Kansas	106	6.0	8.1	106	4.0	6.7

 In Ad Valorem Taxation of Oil and Gas Property (Publication No. 222, January, 1959), the Research Department of the Kansas Legislative Council reported that the ad valorem taxes levied on oil and gas producing properties for the property tax year 1958 (March 1957 - February 1958) were 2.87% of the market value of production for the 78 counties which then had taxable production.

The percentages listed in this table were determined as follows:

APV = Assessed value of oil and gas working interests and royalty interests as reported in the category of tangible personal property in the Statistical Report of Property Assessment and Taxation for the tax years of 1984 and 1986.

RATE = Tax rate on rural personal property (by county).

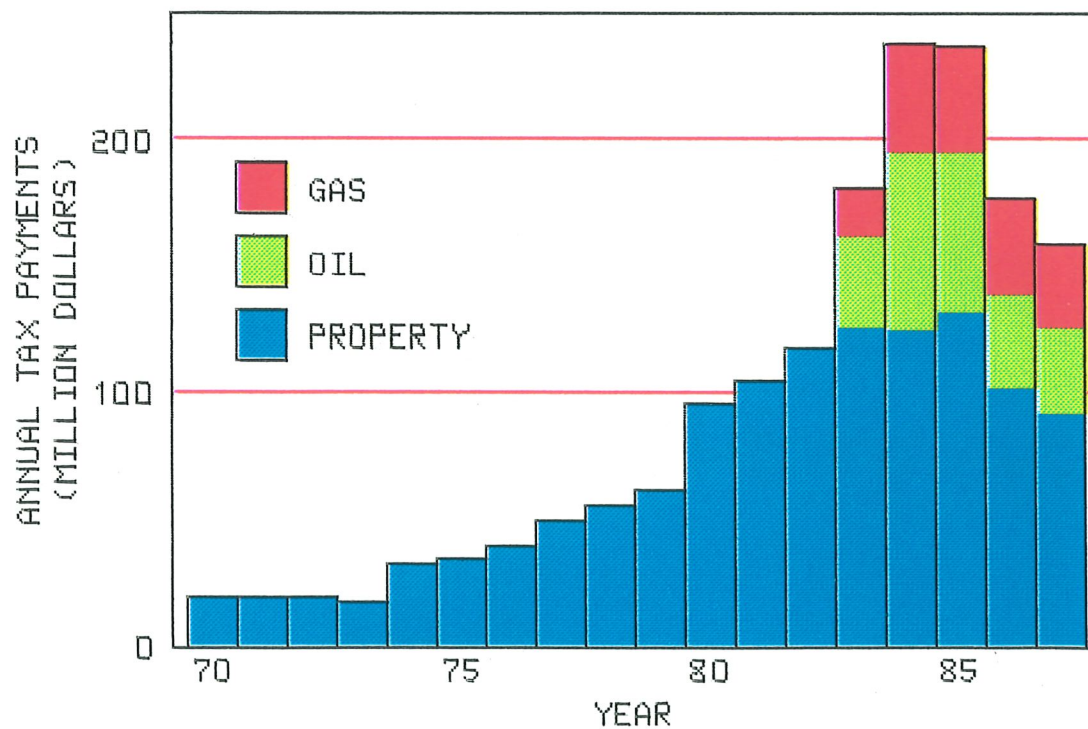
TAX = APV x RATE = estimated county property tax.

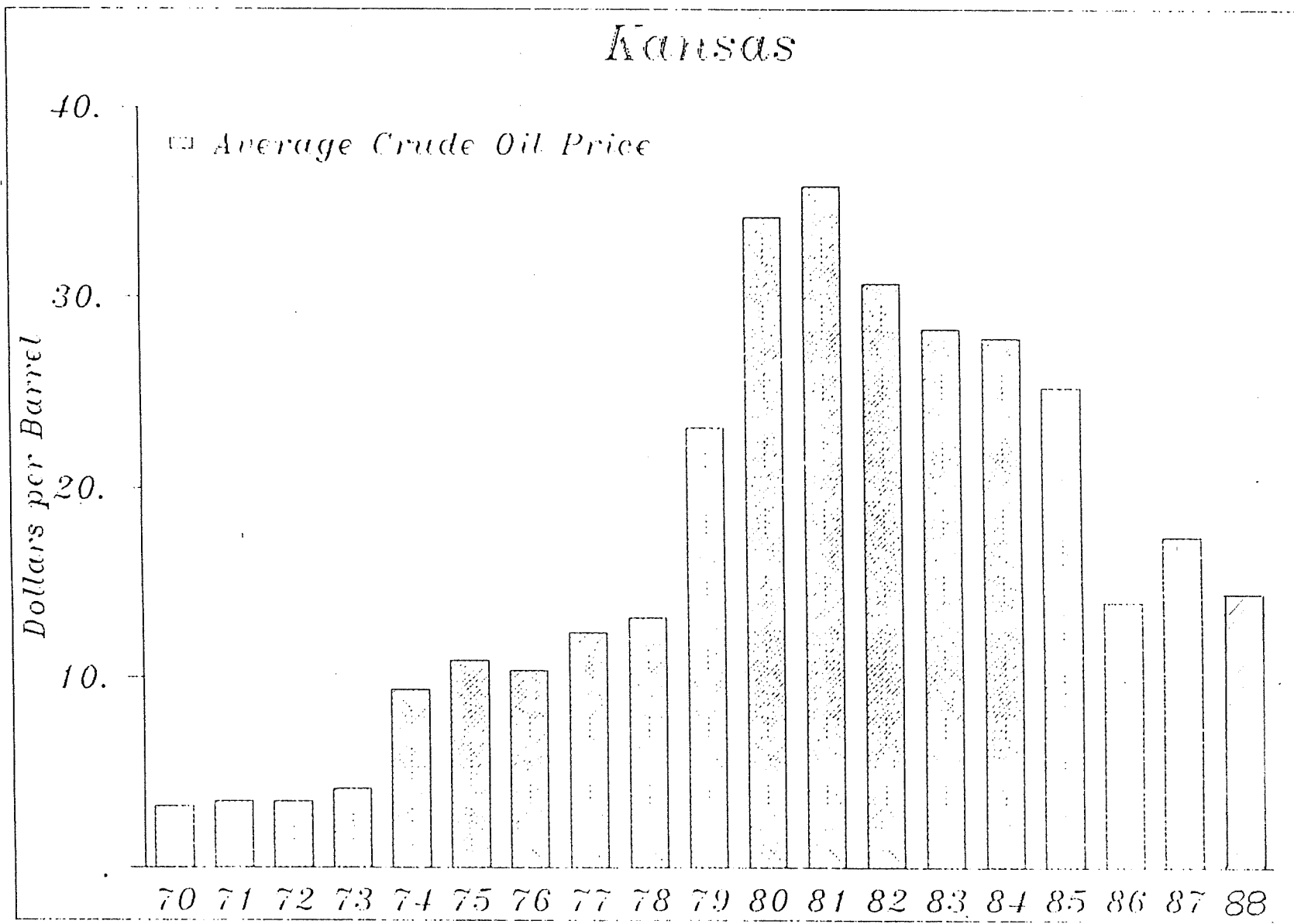
GVP = Gross value of production of oil or gas as reported for the counties or state by the Bureau of Mineral Taxation, Department of Revenue.

% = 100% x (TAX/GVP) = County property tax on oil and gas producing properties as a percent of the corresponding gross value of production.

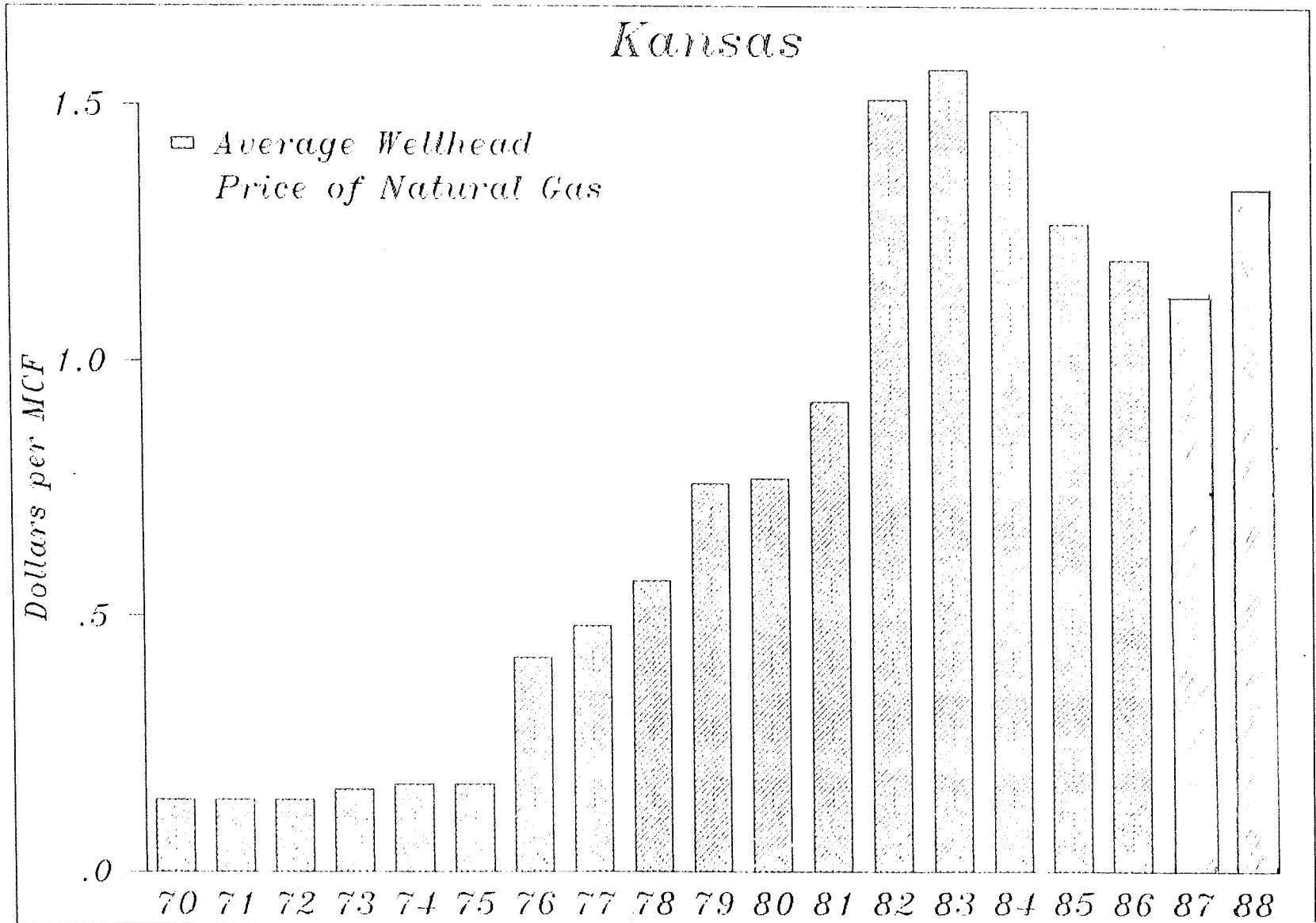
Note: Extremely high percentages occur in some cases where the gross value of production is very small.

TAXES ON PRODUCTION OF CRUDE OIL AND NATURAL GAS
PROPERTY TAXES AND SEVERANCE TAXES
1970 - 1987



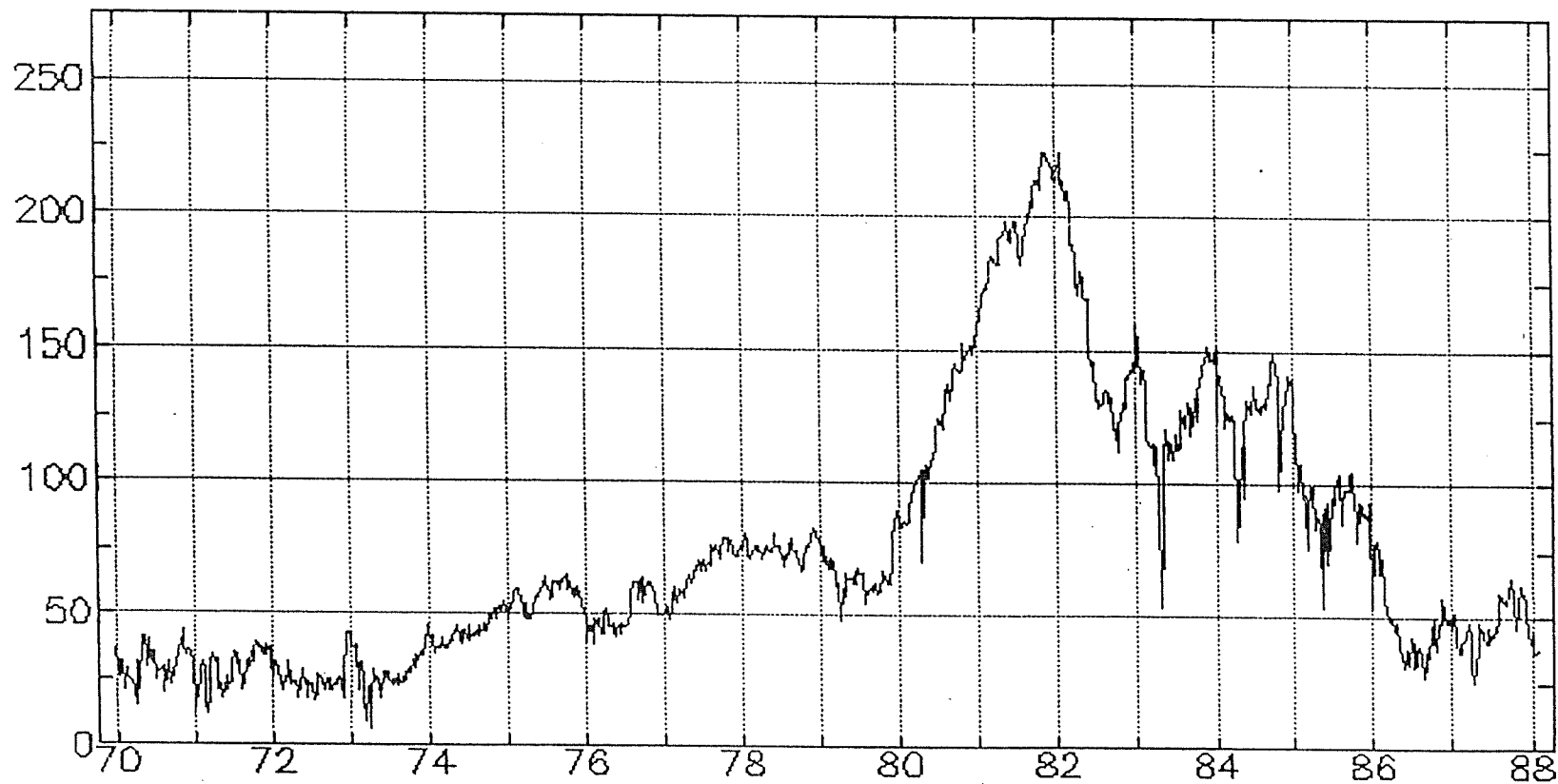


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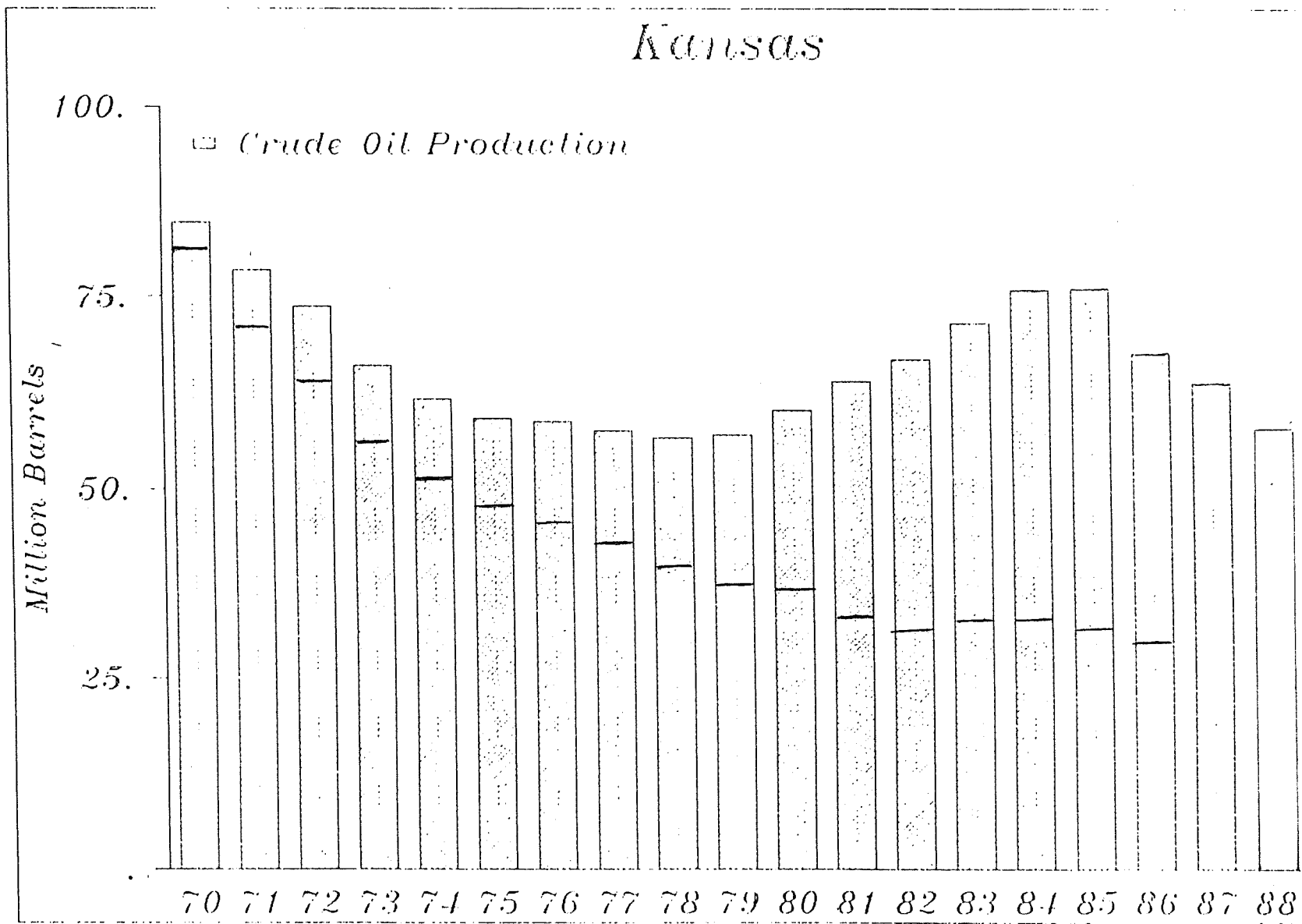


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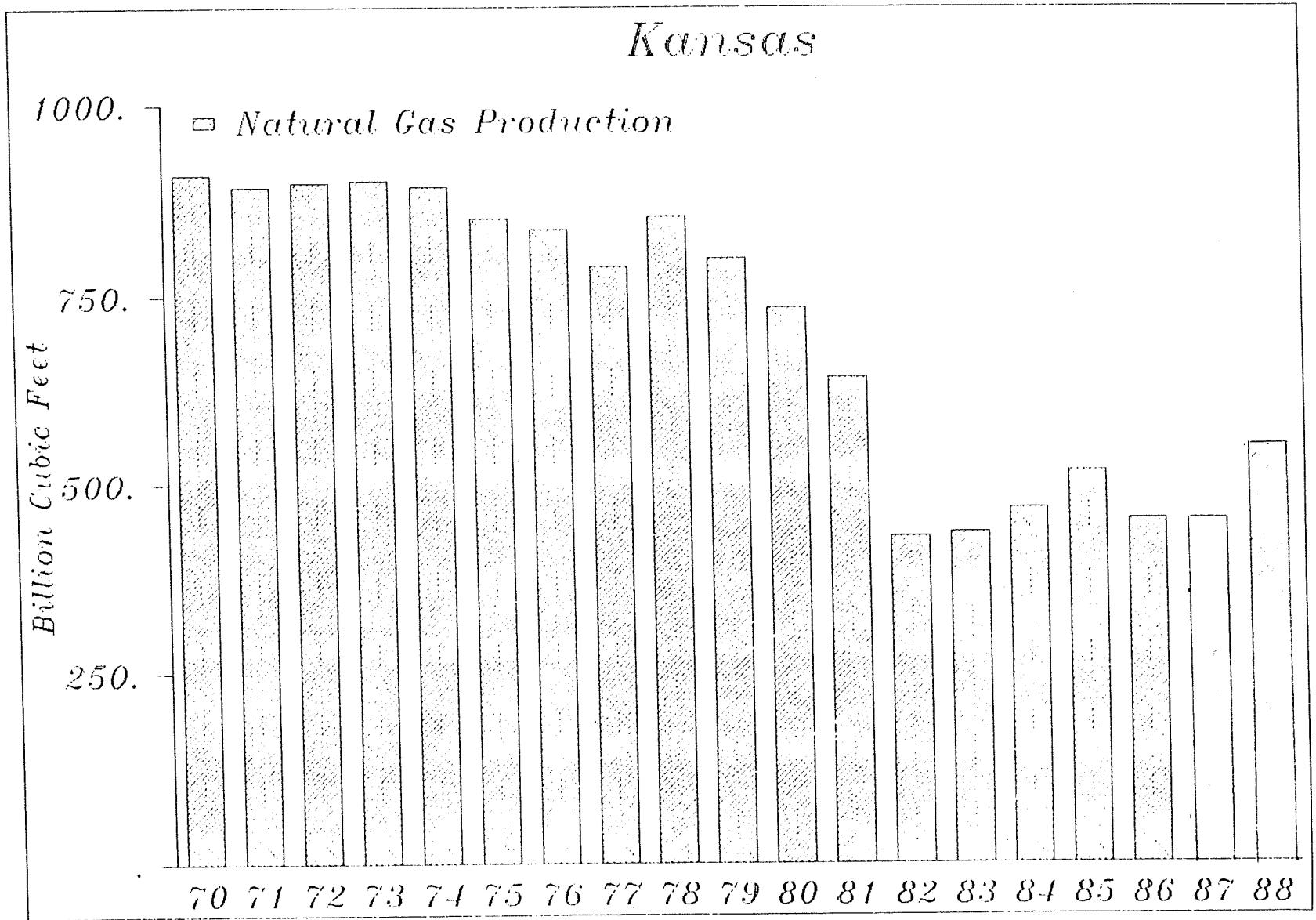
BAKER HUGHES RIG COUNT
ACTIVE ROTARY DRILLING RIGS IN KANSAS: 1970-1988



1-17

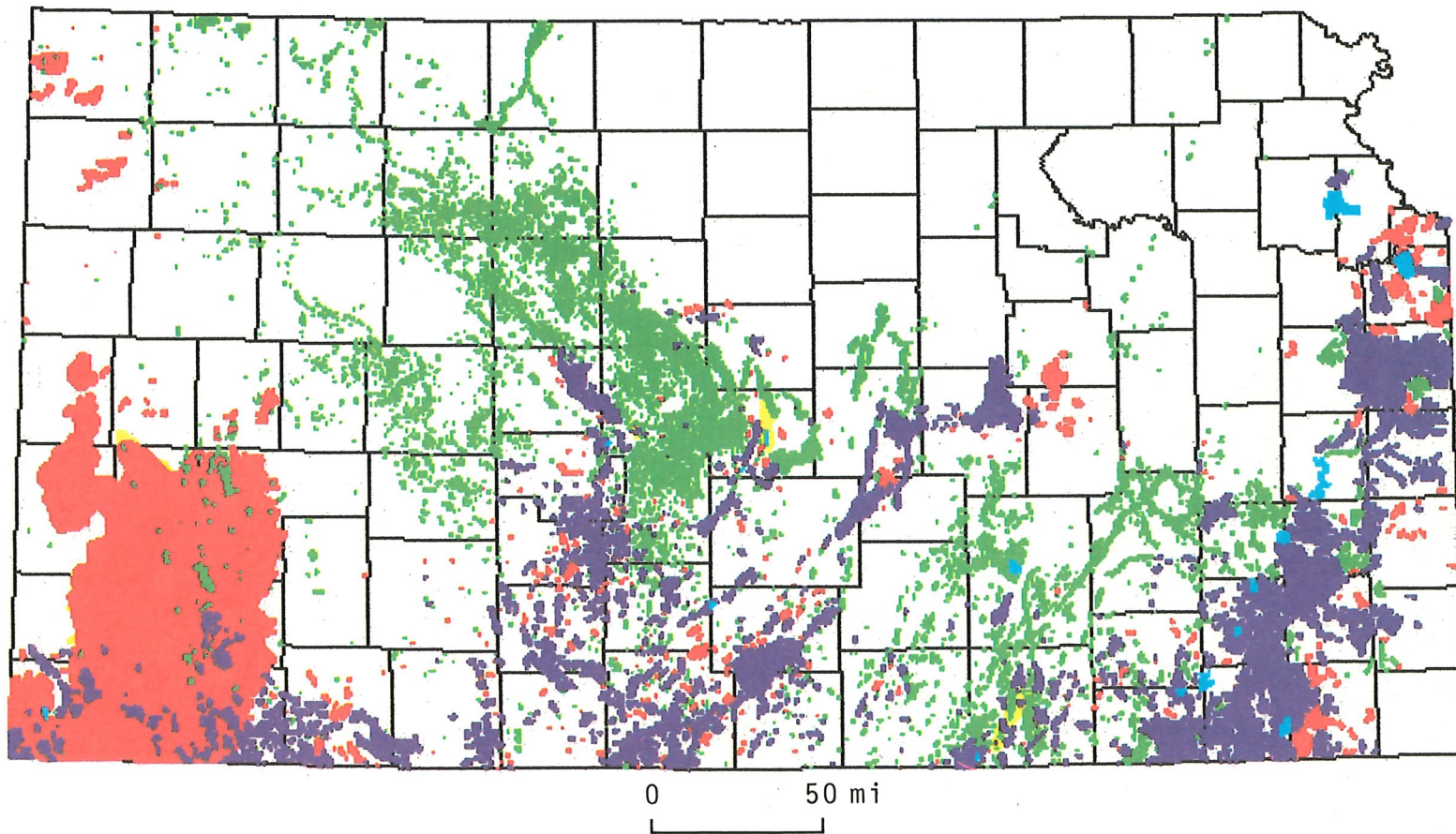
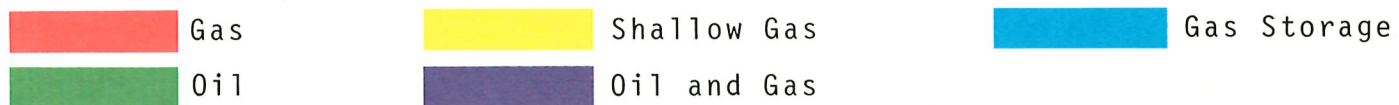


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1-19

Oil and Gas Fields in Kansas



1990

February 10, 1989

HOUSE BILL NO. 2042

Grady Bolding, President
Grady Bolding Corporation
Ellinwood, Kansas

As 1988 ended many independent oil and gas producers undoubtedly felt relief at surviving one more year, unfortunately others felt no such relief. There is however a greater need than mere survival at this time.

We have seen the toughest down cycle in the history of the oil industry. What makes it seem even worse is that it followed the highest peak ever seen in our industry. Decisions and policies made during such good times currently are creating hardships where there was once none. The combination of severance tax, conservation tax and ad valorem tax with increasing mill rates from nearly every county have created an unfair burden on the oil producer.

It is important to understand what is a "typical" independent oil and gas producer and operator. Our corporation would be considered as a small independent operator by definition. We operate fifty-five (55) leases which have a total of 151 wells under the corporate name Grady Bolding Corporation. Our corporation operates six leases (15 wells) for other companies. We participate with other operators in 29 leases (48 wells). Our corporation also owns overriding royalty interests in fourteen of the leases operated by Grady Bolding Corporation.

*2/10/89
attachment 2*

Approximately 80% of leases currently being operated by our corporation are severance tax exempt and with the passage of House Bill No. 2042 that figure would rise to around 90%. In dollars and cents we would pay approximately \$33,600 in severance tax under the proposed law, as compared to roughly \$50,200 paid in 1988. (An additional \$13,000 in conservation tax and \$70,000 in ad valorem tax was also paid, irrespective of our outside interests.) It should be noted that various financial options and tools available to larger major oil companies are simply not within the independent's grasp. The ability to hedge with futures and options on the NYMEX, owning all or part of a refinery, floating bonds indexed to the price of oil or entering into commodity-linked financing arrangements are simply not practical for the vast majority of Kansas independent producers.

As is the case with most companies in our industry every effort has been made to cut overhead, maximize production and establish positive cash flow. However in light of the volatile pricing situation many times these steps are not enough. In the absence of foreseen price relief, tax relief is the only area which provides some prospect of hope.

During the last three years many Kansas oil operators have had financial problems and/or bankruptcy. We are one of the survivors. We have survived due to tight budgeting and close control of expenses. Our exploration funds are derived from cash flow rather than by bank financing.

2-8

Adoption of House Bill No. 2042 which will offer much needed financial relief on marginal leases and in the long term will prevent the shut-down and eventual plugging of many wells in Kansas. House Bill No. 2042 if adopted could aid in returning a portion of temporarily abandoned wells to active producers.

Additional benefits to be derived in general by the adoption of this bill include:

- (1) Job preservation for present oil industry employees;
- (2) Rate of decline of domestic production will be somewhat stemmed which is of at least equal importance as exploration and the introduction of large new oil/gas supplies;
- (3) Additional cash-flow resulting from severance tax relief could increase drilling activity in the state;

The overall oil industry in Kansas presently is in a pathetic state. Kansans are pleased with low gasoline prices and low energy prices in general. The identical attitude exists on a nation-wide basis. Kansas production has declined by 40% in the last four years. Nationally we are approaching a dependence of fifty per cent of our energy requirements from foreign sources. We are faced with a clear choice, we can continue on our current course until OPEC has sufficient market share to dictate higher prices or we can develop policies which encourage and perpetuate domestic production, conservation and self sufficiency.

February 10, 1989

HOUSE BILL

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Severance tax relief for the Kansas oil operator will be a step in the right direction. There will be no doubt numerous studies expounding on the cost of this bill in lost tax revenues. One can only speculate if these studies will show the economic impact created by the retention of these marginal volume wells and the preservation of related jobs and down stream service company business.

2.4

STATEMENT OF JOHN BOWER ON HOUSE BILLS 2042 AND 2184

Before the House Committee on Taxation
February 10, 1989

MR. CHAIRMAN: My name is John Bower. I am a "semi-retired" farmer, living at RR 1, Box 261, McLouth, Kansas 66054. I am a former member of the House of Representatives from Jefferson County, and a royalty owner.

I am representing my self and my neighbor, Mary Kimmel. I have oil production, and Mary has gas. I speak for us, and for thousands of other Kansas royalty owners. We are not "big oil." We are not rich. Our royalty payments are an important part of the income we need to live on.

We are here to speak in favor of House Bills 2042 and 2184. They are a step in the right direction.

House Bill 2184 would make the credit against the severance tax for property taxes the same for oil and gas.

Mr. Chairman, it is an outrage that the legislature imposed a higher tax on Mary because she and her late husband had gas instead of oil on their land. House Bill 2184 would correct this inequity, and ought to be passed.

House Bill 2042 would increase the exemption for stripper wells. This would be beneficial to many small producers who are trying to save what is left of a depleted resource. It would also help royalty owners, and the economy of many Kansas communities.

Mr. Chairman, the severance tax and the oil property tax together took about 15 percent of my royalties last year. That is equal to the total royalties I received in the last four months of 1988.

Seventy percent of that was property tax, which is based on ancient history instead of current activity. I am aware the property tax on oil and gas is not before your committee today, and I do not want to take time from other witnesses at this hearing. I have distributed material dealing with some of the problems with the property tax. I hope there will be an opportunity to discuss those matters with the committee at a suitable time.

Mr. Chairman, I urge your committee to consider seriously the disaster which has hit Kansas' oil industry and royalty owners, part of it brought on by Kansas tax policies.

The severance tax, imposed amid rosy dreams of financing the state on \$38 oil, has helped bring a major Kansas industry to its knees, and has placed a heavy burden on thousands of small royalty owners.

Everyone is talking about economic development. If you really want to do something about it, forget about trying to bribe outsiders to come here, and begin reducing the taxes which make it hard for Kansas business to compete.

House bills 2042 and 2184 are a step in that direction. They ought to be passed.

2/10/89
Attachment 3

COMMENTS ON THE KANSAS PROPERTY TAX ON OIL AND GAS
By John Bower, former Representative

[Oil and gas reserves are taxed as personal property under K.S.A. 79-329, K.S.A. 79-330, and K.S.A. 79-331.]

1. The tax is inequitable, since producers with similar production are taxed at widely different rates.
2. Fair appraisal is not possible.

Oil and gas reserves are not like land or automobiles. Nobody has ever seen them. Nobody knows what is there, nor how much will be produced, nor when if ever, nor what it will cost, nor what it will be worth, yet each of these factors affects present value. The Oil and Gas Appraisal Guide tries to solve this dilemma by applying state averages. This may be satisfactory for collecting statistics, but, when used to collect taxes, it is unfair and inequitable.

The responsibility to correct inequities falls on the appraiser, who is more concerned about criticism from the Department in Topeka than about a taxpayer having to pay an unfair tax. Our appraiser told me she believes all mineral rights should belong to the state. Every judgment call made in my assessment in six years has increased my tax.

3. Some wells are appraised on data totally unrelated to value.

A well which "has never produced but is capable of producing" is assigned an arbitrary value, based solely on its depth [1988 Oil and Gas Appraisal Guide, page 13], though the depth of a particular well has no more to do with how much oil it will produce than the depth of a pond has on how many fish are in the pond. As a way to levy taxes, this is totally capricious and unconstitutional.

4. The tax is not based on the "fair market value" of oil and gas reserves.

The "fair market value" of a property is what a willing buyer would pay a willing seller, today. For oil and gas, that is what someone would pay for the mineral rights, which is less than the estimated value of future production because of the speculation involved.

5. The tax, based on production history, is not a property tax but a severance tax, collected a year later.

This system may have worked fairly well when valuations were large and tax levies low, but in today's chaotic oil market it is a heavy burden, both on producers who are trying to recover the remaining portion of a depleted resource, and on royalty owners, many of whom are little people who need this income.

It is time to junk this antiquated, complicated, unfair system, and base the tax for local government directly on the value of sales.

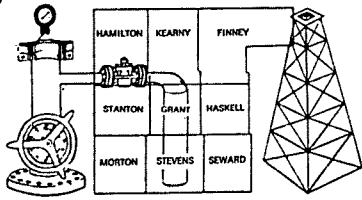
ADVANTAGES OF BASING THE TAX ON THE VALUE OF CURRENT PRODUCTION

1. It would eliminate guesswork.

The legislature would set the rate and the purchaser would collect the tax along with the severance tax.

2. No collection problems and little expense.
3. Funds available to local taxing districts much sooner.
5. Taxpayers would be treated alike.
6. It would clear the docket of the Board of Tax Appeals.

7. For rural counties with valuations now inflated by oil and gas reserves, a fair shake in the distribution of state school aid.



STATEMENT OF
BERNARD E. NORDLING, EXECUTIVE SECRETARY
SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION
Hugoton, Kansas 67951

by Don Schnoche

PRESIDENT,
ROBERT LARRABEE

SECRETARY,
B. E. NORDLING

ASS'T. SECRETARY,
LELAND E. NORDLING

February 10, 1989

To the Honorable Members of the House Committee
on Assessment and Taxation:

My name is Bernard E. Nordling of Hugoton. I am Executive Secretary of the Southwest Kansas Royalty Owners Association. Our Association was formed in 1948 for the primary purpose of protecting the rights of landowners in the Hugoton Gas Field. We have consistently maintained a membership in our Association of about 2,000 landowner members for many years.

I make this statement to your Honorable Committee on behalf of Association members and Kansas royalty owners in support of House Bill No. 2042 and House Bill No. 2184.

First, we should clarify our position as royalty owners with reference to the lessee-producers. We certainly are not here to "defend" the oil and gas industry because, as we have learned many times over the years, they are most capable of taking care of

Don Schnoche
2/10/89
Attachment if

themselves. However, it should be quite obvious to everyone that the domestic oil and gas industry has suffered greatly from a depressed economy for the past several years. The industry is still in a state of shock from numerous financial failures of a large number of small independent producers operating in Kansas. This has had a domino effect on other oil and gas related industries within the state.

Added to this plight for the Kansas oil and gas industry is the heaviest taxing structure of any oil and gas producing state in the country.

Royalty owners too feel this heavy tax load - in fact, even more so than the oil and gas producers. Mineral owners in the Hugoton Field are paying four types of taxes on minerals and oil and gas production:

- (a) Oil and gas personal property (ad valorem) taxes (sometimes referred to as a gross production tax);
- (b) Taxes on minerals in place (mineral real estate taxes);
- (c) State severance tax; and
- (d) Conservation fee of 4.0 mills on gas and 13.5 mills on oil assessed on production to help pay administrative costs of the Kansas Corporation Commission (rates effective as of 12-1-87).

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The first two taxes are assessed on a local level and are paid to the county treasurer of the county in which the property is located. The latter two taxes are assessed on a state level and are reflected as deductions on monthly royalty statements.

The present tax burden on royalty owners receiving gas royalties in Kansas from the taxes listed above ranges from 12% to 30%, with an average of about 15% of gross income. In some instances, the tax burden is even greater, depending on the mill levy of each producing county.

House Bill 2184 offers some relief for royalty owners by increasing the tax credit from 1% to 3.67% on gas, the same credit as given for oil. The effect of HB 2184 is simply to reduce the net severance tax of 7% on natural gas to 4.33%, the same as the present net severance tax on oil.

At the time the severance tax was imposed in 1983, producers selling gas in interstate commerce were able to ask for reimbursement from their gas purchasers for local ad valorem taxes assessed on gas production. The pass through of such taxes to the pipeline purchasers and in turn to the consumers was made possible through FPC and FERC orders permitting pass through of severance taxes or any taxes based on production.

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The Kansas ad valorem tax had been determined by the Federal Power Commission (FPC), and in turn by Federal Energy Regulatory Commission (FERC), to qualify as such a tax. By the same token, the Kansas severance tax on gas flowing in interstate commerce has been allowed to be passed on to the purchasers and in turn to the consumers.

This was the basic reason for imposing a higher severance tax on natural gas than that imposed on oil severed and taxable under the Mineral Severance Tax Act.

This reasoning has been pretty much eroded as a result of changing market conditions for natural gas created by FERC Order 436, 451 and 500. The pipeline companies, under new gas contracts, will no longer reimburse the producers for state severance and local ad valorem taxes. As a result, the present tax burden on gas production in Kansas becomes even greater than before.

There are literally thousands of royalty owners in Kansas receiving gas royalty payments each month. Many of these royalty owners are elderly persons receiving social security

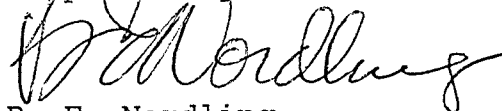
4-4

benefits who depend on gas royalty income to supplement their social security benefits. While a 3.33% reduction in severance taxes may seem a small item, it would afford some tax relief for Kansas royalty owners.

For similar reasons, we support the tax relief made available with the passage of House Bill No. 2042.

Thank you for this opportunity to be heard.

Respectfully submitted,



B. E. Nordling
Executive Secretary
Southwest Kansas Royalty
Owners Association

4-5



KANSAS INDEPENDENT OIL & GAS ASSOCIATION

105 SOUTH BROADWAY • SUITE 500 • WICHITA, KANSAS 67202 • (316) 263-7297

TO: House Committee on Taxation

RE: HB 2042 & HB 2184

The Interstate Oil Compact Commission met in Overland Park, Kansas early in December, 1988. The State of Kansas was the host state. Thirty producing states were represented either by their Governors or by the chairpersons of their state regulatory agencies.

The IOCC invited Robert Mosbacher of Houston, Texas as a guest speaker to represent President-elect Bush's views toward the nation's oil and gas industry. Mr. Mosbacher is now the Secretary of the U.S. Department of Commerce and a member of President Bush's Cabinet.

Mr. Mosbacher promptly rejected as being unrealistic and impacting unfairly on consumers a proposal for imposing an import fee on imported oil. He recited the pledge of "no new taxes".

He did indicate the Bush Administration would push for a reduction of nearly \$1 billion in taxes through a plan he termed was designed to stimulate the nation's industry by providing a "revenue neutral" plan for the U.S. Treasury. Mr. Mosbacher said by increasing federal depletion allowance, allowing more deductions for intangible drilling costs, etc., etc., the U.S. Treasurer will gain in corporate and personal income taxes more than enough to offset the \$1 billion in tax relief.

There is a direct corollary between what Mr. Mosbacher stated and what HB 2042 and HB 2184 can do for the Kansas oil and gas industry, the economy of Kansas, and the State Treasury.

Kansas has the reputation of having the highest total taxes on oil and gas in the United States. You heard STAB Chairman Keith Farrar and PVD Director Terry Hamblin last week state this was so. We in the industry know it is so. Our industry is on wheels and a lot of risk capital that should be spent in Kansas is being spent in other states where the prospects are better and the taxes are lower.

Passing HB 2042 and HB 2184 is in the spirit of what the summer Interim Committee asked the 1989 legislature to do:

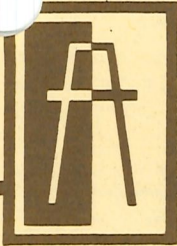
"Finally, the Committee wishes to acknowledge that the combined property and severance tax burden on the oil and gas industry in Kansas has been increasing in recent years. Because of the historic importance of the oil and gas industry for the Kansas economy, the Committee therefore encourages the 1989 Session to provide some form of relief to the industry."

We have two persons here prepared to present testimony when you are ready for them - Frank Novy, Wichita, President of KIOGA; and Spencer Depew, Wichita, Chairman of the KIOGA Legislative Committee and former Chairman of the KIOGA Natural Gas Committee.

Donald P. Schnacke

2/9/89

*2/10/89
Attachment - H-16*



PETROLEUM PRODUCTION MANAGEMENT, INC.

SUTTON PLACE BUILDING, SUITE 200

WICHITA, KANSAS 67202

(316) 265-4651

TO THE HOUSE TAXATION COMMITTEE 2-10-89

I am Frank Novy, partner and senior vice-president of Petroleum Production Management, Inc., and president of Kansas Independent Oil and Gas Association. It is a pleasure for me to be here today to discuss the issues of severance tax and what I feel the severance tax in conjunction with Advalorem tax has done to the state of our industry in the state of Kansas.

You may or may not be aware of how very price sensitive Kansas production is. Kansas is a very mature producing state, with our approximately 60,000 producing wells averaging less than 3 barrels of oil per day per well. Kansas production has declined from a peak 210,000 barrels of oil per day to approximately 155,000 barrels of oil per day today.

You must also realize that our industry is very mobile and operators such as our company drill wells in states that have a more favorable tax climate than does this state, thereby allowing a greater return on invested capital. I have been sort of a rogue in my role as president of Kansas Independent Oil and Gas Association for the last year and a half in that I have stated that I will not drill in Kansas because of the taxing structure that exists in this state compared to surrounding states.

The last year that we drilled in Kansas was 1985, when five wells were drilled. This was a far cry from the nine wells that were drilled in 1982 and the seventeen drilled in 1981. I believe all of you are aware that our Advalorem taxes, paid to the counties as a personal property tax, were considered to be in proportion to severance taxes paid in surrounding states. When the severance tax was added, it placed this state in a higher tax bracket percent wise than surrounding states and it has been one of the reasons overall drilling in Kansas has decreased substantially over the past several years. Our Advalorem taxes have increased percentage wise due to increased mill levies, especially noted over the last four years. With the severance tax added to the Advalorem tax, it just very simply has made Kansas the highest taxing state in the nation on our oil and gas.

I have submitted before you a half dozen oil leases and a half dozen gas leases that we operate in this state. I have also included one oil and one gas lease each from the states of Texas, New Mexico, Oklahoma, Louisiana, and Mississippi, where we also operate. I believe that as you view the individual exhibits, you can determine for yourselves why this company today prefers spending it's dollars drilling in Texas, New Mexico, and Oklahoma in preference to drilling in Kansas. There has to be a solution

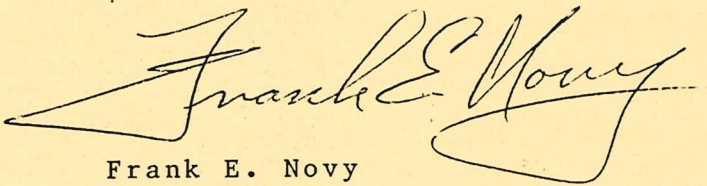
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Page 2

from someone smarter than I to either do away with the severance tax or the Advalorem tax or a combination of both, whereby operators in this state can know total taxes will not exceed a number less than 5 1/2% as Texas charges, 7% as Oklahoma charges, 8% as New Mexico charges, or 6 1/2% as Mississippi charges. Louisiana has a three tier severance tax system which varies from 3 1/2% to 12 1/2%, depending on the type of well. This, in my opinion, would do much to restore at least a portion of the 200 rotary rigs that were drilling in this state five years ago vs the 30 rigs that are drilling in Kansas today.

Kansas, I feel, would be missing the boat if it does not attempt to alleviate the present onerous taxes. The two house bills that are in front of you, House bill 2042 and House bill 2184, are not all the answer to our total taxes, but they would certainly be of help, when help is badly needed. This would allow drilling money to be spent in this state instead of neighboring states. I will be more than happy to answer any questions you may have concerning my exhibits before you.

Thank you very much.

A handwritten signature in black ink, reading "Frank E. Novy". The signature is written in a cursive style with a large, sweeping initial "F" and a long, horizontal tail stroke.

Frank E. Novy

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State	County or Parish	Lease Name	Product Oil or Gas	Monthly Gross Revenue	Monthly Severance Tax	Monthly Conservation Tax	Monthly Ad Valorem Tax	Monthly Total Tax	Percentage of Total Gross Tax	of Total Tax To ie
Kansas	Scott	Smith	Oil	10,432	463	11	829	1,303	12.49%	
Kansas	Scott	Patton B	Oil	3,976	176	4	489	669	16.82%	
Kansas	Finney	R. Crist	Oil	22,081	978	20	1,502	2,500	11.32%	
Kansas	Finney	Maune 'A'	Oil	11,078	491	12	771	1,274	11.50%	
Kansas	Kearny	Johnson	Oil	2,151	95	3	35	133	12.37%	
Kansas	Stafford	O'Dell 'A'	Oil	6,711	297	6	203	506	7.54%	
Kansas	Scott	R.L. Crist 'A'	Gas	1,495	0	4	275	279	18.66%	
Kansas	Scott	Rhoda Crist 'A1'	Gas	1,094	0	3	717	720	65.81%	
Kansas	Finney	S.W. Maune #4	Gas	6,326	465	0	851	1,316	20.80%	
Kansas	Finney	Stracklejohn #2	Gas	3,692	274	3	908	1,185	32.09%	
Kansas	Comanche	Fisher	Gas	6,784	498	6	198	702	10.34%	
Kansas	Comanche	V.L. Smith	Gas	6,042	444	5	299	748	12.38%	
Oklahoma	Lincoln	Davenport Unit	Oil	64,605	4,577	0	0	4,577	7.08%	
Oklahoma	Texas	Niles #6	Gas	6,546	464	0	0	464	7.08%	
New Mexico	Lea	Star	Oil	24,395	1,964	0	0	1,964	8.05%	
New Mexico	Roosevelt	Conquest Federal	Oil & Gas	15,285	1,208	0	0	1,208	7.90%	
New Mexico	Lea	K.G.S.	Gas	1,332	0 Reimbursed	0	0	0	0	
Texas	Harrison	Barker Lentz #4	Oil	6,238	288	0	57	345	5.53%	
Texas	Harrison	Blocker Ware #2	Gas	5,769	402	0	68	470	8.15%	
Louisiana	Webster	James Floy #1	Oil	14,971	1,843	0	76	1,919	12.82%	
Louisiana	Caddo	Greenwood Unit	Oil	43,255	1,332	0	1,137	2,468	5.70%	
Louisiana	Caldwell	Gloyd Central	Gas	691	0 Reimbursed	0	0	0	0	
Mississippi	Amite	Flowers #1	Oil	9,633	578	12	3	593	6.15%	
Mississippi	Forrest	Coleran Powe	Gas	8,261	610	0	0	610	7.38%	

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TEXACO TRADING AND TRANSPORTATION INC.
 P.O. BOX 5568
 DENVER, COLORADO 80217

STATEMENT OF CRUDE OIL PURCHASED FOR DECEMBER, 1988

LEASE HAUNE, A
 DESC NW 31-21S-33W
 STATE KANSAS
 COUNTY FINNEY

DIV 02 TTTI LEASE NO 13640
 TTTI OPERATOR 999719

PETROLEUM PRODUCTION
 MANAGEMENT INC.
 P O BOX 11320
 KANSAS CITY MO 64112

TRANSACTION CODES EXPLANATION

- 1-GAUGER RUN TICKET
- 2-ESTIMATED RUN TICKET
- 3-PRIOR MONTH ADJUSTMENT
- 4-DOE ADJUST/DIFFERENTIAL
- 5-FRAC OIL
- 6-WINDFALL PROFITS TAX
- 7-ALLOCATED PRODUCTION

DATE	TICKET	T	ADJ	NET	PRICE	VALUE	REMARKS
		C	GRV	BARRELS			
12-08-88	829314	1	30.0	161.13	13.1500	2,118.86	
12-13-88	829643	1	30.0	166.64	13.6500	2,274.64	
12-21-88	830149	1	30.0	163.78	13.6500	2,235.60	
12-21-88	831968	1	30.0	165.45	13.6500	2,258.39	
12-30-88	830175	1	30.0	154.82	14.1500	2,190.70	
						811.82	GROSS VALUE
EXEMPTIONS						490.65	PROD TAXES
BARRELS VALUE						0.044%	
						811.82	

PERCENT TTTI PURCHASED 1.0000000

Advalorem Tax Analysis

1988 Valuation	1988 Tax	1987 W I Revenue	1987 % Tax WI Revenue	1987 Lifting Cost	1987 Operating Income	1987 % Tax Opr. Inc.	1988 % Sev. Tax
83,650	9,256 monthly 771.33	193,022	0.048	59,365	133,657	0.069	0.044

Total Tax %
 W I Rev.
 0.092

Total Tax %
 Operating Income
 0.113

Gross Value	Sev. Tax	Ad. Tax	Total Tax	% Tax
11,078.19	490.65	771.33	1261.98	11.4%

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TEXACO TRADING AND TRANSPORTATION INC.
 P.O. BOX 5568
 DENVER, COLORADO 80217
 STATEMENT OF CRUDE OIL PURCHASED FOR DECEMBER, 1988

LEASE PATTON B
 DESC NW 36-19S-33W
 STATE KANSAS
 COUNTY SCOTT

DIV 02 TTTI LEASE NO 13846
 TTTI OPERATOR 999719

PETROLEUM PRODUCTION
 MANAGEMENT INC.
 P O BOX 11320
 KANSAS CITY MO 64112

TRANSACTION CODES EXPLANATION

- 1-GAUGER RUN TICKET
- 2-ESTIMATED RUN TICKET
- 3-PRIOR MONTH ADJUSTMENT
- 4-DOE ADJUST/DIFFERENTIAL
- 5-FRAC OIL
- 6-WINDFALL PROFITS TAX
- 7-ALLOCATED PRODUCTION

STATION	DATE	TICKET	T C	ADJ GRV	NET BARRELS	PRICE	VALUE	REMARKS
8771	12-13-88	829443	1	24.0	155.02	12.7500	1,976.51	
8771	12-28-88	830169	1	24.0	150.90	13.2500	1,999.43	
							3,975.94	GROSS VALUE
EXEMPTIONS							176.29	PROD TAXES
BARRELS VALUE							0.044%	
							305.92	

PERCENT TTTI PURCHASED 1.0000000

Advalorem Tax Analysis

1988	1987	1987	1987	1987	1987	1988
Valuation	Tax	W I Revenue	% Tax	Lifting Cost	Operating Income	% Tax
48,923	5,871 monthly 489.25	69,619	0.084	23,919	45,700	0.128
						0.044

Total Tax
 %
 W I Rev.
 0.128

Total Tax
 %
 Operating Income
 0.172

Gross Value	Sev. Tax	Ad. Tax	Total Tax	% Tax
3975.94	176.29	489.25	665.54	0.167

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TEXACO TRADING AND TRANSPORTATION INC.
 P.O. BOX 5568 STATEMENT OF CRUDE OIL PURCHASED FOR DECEMBER, 1988
 DENVER, COLORADO 80217

LEASE O'DELL A
 DESC N/2 SE 7-25S-13W
 STATE KANSAS
 COUNTY STAFFORD

DIV 02 TTTI LEASE NO 13819
 TTTI OPERATOR 999719

PETROLEUM PRODUCTION
 MANAGEMENT INC.
 P O BOX 11320
 KANSAS CITY MO 64112

TRANSACTION CODES EXPLANATION

- 1-GAUGER RUN TICKET
- 2-ESTIMATED RUN TICKET
- 3-PRIOR MONTH ADJUSTMENT
- 4-DOE ADJUST/DIFFERENTIAL
- 5-FRAC OIL
- 6-WINDFALL PROFITS TAX
- 7-ALLOCATED PRODUCTION

STATION	DATE	TICKET	T C	ADJ GRV	NET BARRELS	PRICE	VALUE	REMARKS
4264	12-07-88	824616	1	29.0	167.70	13.0000	2,180.10	
4264	12-12-88	824617	1	29.0	165.19	13.0000	2,147.47	
4264	12-29-88	829715	1	29.0	170.24	14.0000	2,383.36	
							503.13	6,710.93 GROSS VALUE
EXEMPTIONS BARRELS VALUE							297.37	PROD TAXES
							503.13	0.044%

PERCENT TTTI PURCHASED 1.0000000

Advalorem Tax Analysis

1988 Valuation	1988 Tax	1987 W I Revenue	1987 % Tax WI Revenue	1987 Lifting Cost	1987 Operating Income	1987 % Tax Opr. Inc.	1988 % Sev. Tax		
19,370	2,439 monthly 203.25	38,479	0.063	11,759	26,720	0.091	0.044		
		Total Tax %	W I Rev. 0.107	Total Tax %		Operating Income 0.135			
Gross Value	6,710.93	Sev. Tax	297.37	Ad. Tax	203.25	Total Tax	500.62	% Tax	0.074

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LEASE CRIST, R
 DESC SE 31-21S-33W
 STATE KANSAS
 COUNTY FINNEY

DIV 02 TTTI LEASE NO 12800
 TTTI OPERATOR 999719

PETROLEUM PRODUCTION
 MANAGEMENT INC.
 P O BOX 11320
 KANSAS CITY MO 64112

TRANSACTION CODES EXPLANATION
 1-GAUGER RUN TICKET
 2-ESTIMATED RUN TICKET
 3-PRIOR MONTH ADJUSTMENT
 4-DOE ADJUST/DIFFERENTIAL
 5-FRAC OIL
 6-WINDFALL PROFITS TAX
 7-ALLOCATED PRODUCTION

TATION	DATE	TICKET	T C	ADJ GRV	NET BARRELS	PRICE	VALUE	REMARKS
8771	12-02-88	821244	1	30.0	168.29	12.6500	2,128.87	
8771	12-06-88	829308	1	30.0	166.31	12.6500	2,103.82	
8771	12-07-88	829311	1	30.0	162.31	13.1500	2,134.38	
8771	12-13-88	830133	1	30.0	166.41	13.6500	2,271.50	
8771	12-15-88	829377	1	30.0	163.90	13.6500	2,237.24	
8771	12-18-88	831838	1	30.0	158.39	13.6500	2,162.02	
8771	12-20-88	831966	1	30.0	163.06	13.6500	2,225.77	
8771	12-21-88	831844	1	30.0	166.49	13.6500	2,272.59	
8771	12-28-88	832267	1	30.0	157.97	14.1500	2,235.28	
8771	12-28-88	832268	1	30.0	163.21	14.1500	2,309.42	
							22,080.89	GROSS VALUE

1,636.34 978.19 PROD TAXES

EXEMPTIONS BARRELS
 VALUE

1,636.34 0.044%

PERCENT TTTI PURCHASED 1.000000

Advalorem Tax Analysis

1988	1987	1987	1987	1987	1988		
Valuation	Tax	W I Revenue	% Tax WI Revenue	Lifting Cost	Operating Income	% Tax Opr. Inc.	% Sev. Tax
162,900	18,025 monthly 1,502.08	394,440	0.046	102,342	292,098	0.062	0.044

Total Tax %
 W I Rev. 0.090

Total Tax %
 Operating Income 0.106

Gross Value 22,080.89 Sev. Tax 978.19 Ad. Tax 1,502.08 Total Tax 2,480.27 % Tax 11.3

TEXACO TRADING AND TRANSPORTATION INC.
 P.O. BOX 5568
 DENVER, COLORADO 80217

STATEMENT OF CRUDE OIL PURCHASED FOR DECEMBER, 1988

LEASE SMITH
 DESC SW 26-19S-33W
 STATE KANSAS
 COUNTY SCOTT

DIV 02 TTTI LEASE NO 14413
 TTTI OPERATOR 999719

PETROLEUM PRODUCTION
 MANAGEMENT INC.
 P O BOX 11320
 KANSAS CITY MO 64112

TRANSACTION CODES EXPLANATIO

- 1-GAUGER RUN TICKET
- 2-ESTIMATED RUN TICKET
- 3-PRIOR MONTH ADJUSTMEN
- 4-DOE ADJUST/DIFFERNTIA
- 5-FRAC OIL
- 6-WINDFALL PROFITS TAX
- 7-ALLOCATED PRODUCTION

STATION	DATE	TICKET	T C	ADJ GRV	NET BARRELS	PRICE	VALUE	REMARKS	
8771	12-05-88	821248	1	26.0	166.33	12.0500	2,004.28		
8771	12-12-88	830130	1	26.0	161.10	12.5500	2,021.81		
8771	12-18-88	831837	1	26.0	162.95	13.0500	2,126.50		
8771	12-22-88	831970	1	26.0	158.37	13.0500	2,066.73		
8771	12-27-88	832266	1	26.0	163.28	13.5500	2,212.44		
							812.03	10,431.76	GROSS VALUE
EXEMPTIONS								462.66	PROD TAXES
BARRELS VALUE									
							812.03	0.044%	

PERCENT TTTI PURCHASED 1.000000

Advalorem Tax Analysis

1988 Valuation	1988 Tax	1987 W I Revenue	1987 % Tax WI Revenue	1987 Lifting Cost	1987 Operating Income	1987 % Tax Opr. Inc.	1988 % Sev. Tax
82,874	9,945 monthly 828.75	243,712	0.041	146,038	97,674	0.102	0.044

Total Tax
%
W I Rev.
0.085

Total Tax
%
Operating Income
0.146

Gross Value	Sev. Tax	Ad. Tax	Total Tax	% Tax
10,431.76	462.66	828.75	1,291.41	0.124

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TEXACO TRADING AND TRANSPORTATION INC.
 P.O. BOX 5568
 DENVER, COLORADO 80217

STATEMENT OF CRUDE OIL PURCHASED FOR DECEMBER, 1988

LEASE JOHNSON
 DESC SE SE 19-21-35W
 STATE KANSAS
 COUNTY KEARNY

DIV 02 TITI LEASE NO 13429
 TITI OPERATOR 999719

PETROLEUM PRODUCTION
 MANAGEMENT INC.
 P O BOX 11320
 KANSAS CITY MO 64112

TRANSACTION CODES EXPLANATION

- 1-GAUGER RUN TICKET
- 2-ESTIMATED RUN TICKET
- 3-PRIOR MONTH ADJUSTMENT
- 4-DUE ADJUST/DIFFERENTIAL
- 5-FRAC OIL
- 6-WINDFALL PROFITS TAX
- 7-ALLOCATED PRODUCTION

STATION	DATE	TICKET	T C	ADJ GRV	NET BARRELS	PRICE	VALUE	REMARKS
4273	12-26-88	830159	1	34.0	150.97	14.2500	2,151.32	
					150.97		2,151.32	GROSS VALUE
EXEMPTIONS		BARRELS VALUE					95.19	PROD. TAXES
					150.97		0.044%	
PERCENT TITI PURCHASED 1.000000								

Advalorem Tax Analysis

1988 Valuation	1988 Tax	1987 W I Revenue	1987 % Tax WI Revenue	1987 Lifting Cost	1987 Operating Income	1987 % Tax Opr. Inc.	1988 % Sev. Tax
7,720	422 monthly 35.17	23,326	0.018	17,596	5,700	0.074	0.044

Total Tax %
 W I Rev.
 0.062

Total Tax %
 Operating Income
 0.118

Gross Value
 2,151.32

Sev. Tax
 95.19

Ad. Tax
 35.17

Total Tax
 130.36

% Tax
 0.061

Rhoda Crist A-1

Base Price	
Tax Emb.	
Price Range: 1	effectv:
Price Range: 2	effectv:
Price Range: 3	effectv:
Price Range: 4	effectv:

Allowable Gauger Est. Reinter. Chart	MBIU MCFs	Gross Price Net	Gross Value Tax Emb. Value	Mktg Cost Tax	Prod. Days BIU
JULY	273	2.93	10.94		
	1032	1.1955	1233.76	4.15	
AUGUST	283	2.93	8.30		
	915	1.1955	1093.88	3.68	
SEPTEMBER	288	2.93	8.45		
	39	1.195	46.62	.16	
TOTAL					

Advalorem Tax Analysis

1988 Valuation	1988 Tax	1987 W I Revenue	1987 % Tax W I Revenue	1987 Lifting Cost	1987 Operating Income	1988 % Tax Opr. Inc.	1988 % Sev. Tax
71,648	8,598	31,351	0.274	7,288	24,063	0.357	0.00
	monthly 716.50						
		Total Tax %	W I Rev. 0.274		Total Tax %	Operating Income 0.357	
Aug. 88	Gross Value 1,093.88	Sev. Tax 0.00	Ad. Tax 716.50	Total Tax 716.50	% Tax 0.655		

5-10

SW Maine #4

Base Price	
Tax Emb.	
Price Manag: 8	effective
Price Manag: 9	effective
Price Manag: 9	effective
Price Manag: 8	effective

Allowable Gauger Est. Roller Chart	MIDIV MCFs	Gross Price Net	Gross Value Tax Emb. Value	Mktg Cost Tax	Prod. Days BIU
	JULY	5525	1.1398	6297.26	462.91
	AUGUST	5550	1.1398	6325.76	465.00
	SEPTEMBER	5121	1.1398	5836.79	429.06
TOTAL	END Q				
AVERAGE					

Advalorem Tax Analysis

1988 Valuation	1988 Tax	1987 W I Revenue	1987 % Tax WI Revenue	1987 Lifting Cost	1987 Operating Income	1987 % Tax Opr. Inc.	1988 % Sev. Tax
92,270	10,210	63,608	0.161	6,010	57,598	0.177	0.074
	monthly 850.83						

Total Tax %	Total Tax %
W I Rev.	Operating Income
0.235	0.251

Aug. 88	Gross Value	Sev. Tax	Ad. Tax	Total Tax	% Tax
	6,325.76	465.00	850.83	1,315.83	0.208

512

YLGsmith

Base Price	
Tax Emb.	
Price Reneg: 3	effectiv:
Price Reneg: 3	effectiv:
Price Reneg: 3	effectiv:
Price Reneg: 3	effectiv:

Allowable Gauger Eqt. Balance Chart	MONTH MCF#	Gross Price Net	Gross Value Tax Emb. Value	Mtg Cost Tax	Prod. Days BTU
				415.06	
	JULY	4798	1.44	6907.29	403.65 ✓
	AUGUST	5276	1.28	6749.66	471.18 ✓
	SEPTEMBER	5001	1.21	6042.49	443.51 ✓
TOTAL	3RD Q				
AVERAGE					

Advalorem Tax Analysis

1988	1987	1987	1987	1987	1988		
Valuation	Tax	W I Revenue	% Tax WI Revenue	Lifting Cost	Operating Income	% Tax Opr. Inc.	% Sev. Tax
34,720	3,599	60,501	0.059	18,323	42,178	0.085	0.073

Total Tax % W I Rev.	0.132
Total Tax % Operating Income	0.158

Sept. 88	Gross Value	Sev. Tax	Ad. Tax	Total Tax	% Tax
	6,042.49	443.51	299.92	743.43	0.123

5-13

Strackeljohn

Base Price	
Tax Emb.	
Price Range: 1	effectv:
Price Range: 2	effectv:
Price Range: 3	effectv:
Price Range: 4	effectv:

Allowable Gauger Emf. Rainfall Chart	MRTU MCFs	Gross Price Net	Gross Value Tax Emb. Value	MTR Cost Tax	Prod. Days BIU
JULY	4064	.94	2808.74	282.95	781
	3843	.96063	3691.70	273.86	781
	1251	1.09	1477.18	108.84	
TOTAL					
AVERAGE					

Advalorem Tax Analysis

1988 Valuation	1988 Tax	1987 W I Revenue	1987 % Tax WI Revenue	1987 Lifting Cost	1987 Operating Income	1987 % Tax Opr. Inc.	1988 % Sev. Tax
98,470	10,896	55,754	0.195	7,275	48,479	0.225	0.074
	monthly 908.00						

Total Tax %	Total Tax %
W I Rev. 0.269	Operating Income 0.299

Aug. 88	Gross Value	Sev. Tax	Ad. Tax	Total Tax	% Tax
	3,691.70	273.88	908.00	1,181.88	0.320

5-14

PETROLEUM PRODUCTION
 ATTN KIM SHELDON
 PO BOX 11320
 KANSAS CITY MO 64112

 * D U P L I C A T E *

1141

OIL RUN STATEMENT
 FOR MONTH OF 04-88

SUN OIL COMPANY
 BOX 2880
 DALLAS, TEXAS 75221

STRIPPER PROPERTY

PROPERTY 821017 7000 DAVENPORT UNIT
 PROD OPERATOR OIL 111260 PETROLEUM PRODUCTION MAN

FIELD UNNAMED FIELD COUNTY 0081 LINCOLN STATE 35 OK UNIT-FAC UNIT PCT MAIL CD .00000000 111260-01

FS

PURCHASER				ST LSE	MERGE	STATE	PRODUCER	TT	TR	GR	CLS	PR	GP
822200 SUN OIL CO				097980	00155	04200		61	00	02	210	88007	S
DATE	TICKET	TANK	ENT	NET	GRAV	BBL	GROSS	FED/STATE					
MO DA YR	NUMBER	METER	CD	BARRELS		PRICE	VALUE	TAX					
04 01 88	000099	00000622	2	846.19	48.8	16.0000	13539.04	959.24					
04 04 88	000001	00048367	1	187.37	50.0	16.0000	2997.92	212.40					
04 08 88	000020	00048368	1	184.73	49.4	16.0000	2955.68	209.41					
04 11 88	000099	00000622	2	592.34	48.8	16.5000	9773.61	692.46					
04 14 88	000037	00048367	1	187.16	50.1	16.5000	3088.14	218.79					
04 18 88	000099	00000622	2	1100.07	48.8	17.5000	19251.23	1363.95					
04 18 88	000040	00048368	1	185.46	50.0	17.5000	3245.55	229.95					
04 21 88	000058	00048367	1	186.74	50.4	17.5000	3267.95	231.54					
04 25 88	000071	00048368	1	184.64	49.7	17.5000	3231.20	228.93					
04 28 88	000093	00048367	1	186.00	50.1	17.5000	3255.00	230.62					

 PRODUCERS SHOULD APPLY OWNERSHIP PERCENTAGE TO THIS FIGURE.

	TIER 1	TIER 2	TIER 3	NON TAXABLE	SUMMARY
NET BARRELS		3,840.70			3,840.70
GROSS VALUE		64,605.32			64,605.32
STATE TAX		4,577.29			4,577.29
NET VALUE		60,028.03			60,028.03
ADJ BASE PR		24.6200			

No Advalorem tax Oklahoma Oil Lease
 \$ 64,605.32 Gross Prod. = 7.0% total Tax Rate
 \$ 4,577.29 Tax

5-19

PETROLEUM PRODUCTION
 ATTN KIM SHELDON
 PO BOX 11320
 KANSAS CITY MO 64112

 * D U P L I C A T E *

1134

OIL RUN STATEMENT
 FOR MONTH OF 04-88

SUN OIL COMPANY
 BOX 2880
 DALLAS, TEXAS 75221

NEWLY DISCOVERED PROP

 PROPERTY PROD OPERATOR
 403448 0000 STAR 695 LTD OIL 111260 PETROLEUM PRODUCTION MAN

FIELD 9531 COUNTY STATE UNIT-FAC UNIT PCT MAIL CD
 VADA-PENN 0025 LEA 30 NM .00000000 111260-01

FS

PURCHASER				ST LSE	MERGE	STATE	PRODUCER	TT	TR	GR	CLS	PR	GP
822200 SUN OIL CO				13827				61	00	02	114	88004	D
DATE	TICKET	TANK	ENT	NET	BBL	GROSS	FED/STATE						
MO	DA	YR	NUMBER	METER	CD	BARRELS	GRAV	PRICE	VALUE	TAX			
04	08	88	000446	00089843	1	467.10	45.0	16.0000	7473.60	601.81			
04	20	88	000501	00089842	1	485.02	44.7	17.5000	8487.85	683.49			
04	28	88	000556	00089843	1	481.89	44.3	17.5000	8433.08	679.08			

 PRODUCERS SHOULD APPLY OWNERSHIP PERCENTAGE TO THIS FIGURE.

	TIER 1	TIER 2	TIER 3	NON TAXABLE	SUMMARY
NET BARRELS			1,434.01		1,434.01
GROSS VALUE			24,394.53		24,394.53
STATE TAX			1,964.38		1,964.38
NET VALUE			22,430.15		22,430.15
ADJ BASE PR			31.7600		

*New Mexico - Oil lease
 No Advalorem TAX
 24,394.53 Gross Value. = 8.05 % total tax
 1,964.38 Severance Tax*

518

PETROLEUM PRODUCTION
 ATTN KIM SHELDON
 PO BOX 11320
 KANSAS CITY MO 64112

 * D U P L I C A T E *

1139

OIL RUN STATEMENT
 FOR MONTH OF 04-88

SUN OIL COMPANY
 BOX 2880
 DALLAS, TEXAS 75221

NEWLY DISCOVERED PROP

 PROPERTY PROD OPERATOR
 403456 0000 CONQUEST FEDERAL OIL 111260 PETROLEUM PRODUCTION MAN

FIELD 9531 COUNTY STATE UNIT-FAC UNIT PCT MAIL CD
 VADA-PENN 0041 ROOSEVELT 30 NM .00000000 111260-01

FS

PURCHASER		ST LSE		MERGE		STATE PRODUCER		TT TR GR CLS PR GP	
822200 SUN OIL CO		21977						61 00 02 114 88004 D	
DATE	TICKET	TANK	ENT	NET	BBL	GROSS	FED/STATE	TAX	
MO DA YR	NUMBER	METER	CD	BARRELS	GRAV	PRICE	VALUE		
04 12 88	226902	00403456	3	183.58	54.4	16.5000	3029.07	239.08	
04 12 88	226901	00403456	3	183.58	54.4	16.5000	3029.07	239.08	
04 29 88	198178	00020408	1	182.99	55.1	17.5000	3202.33	252.76	
04 29 88	198177	00020408	1	184.05	55.1	17.5000	3220.88	254.22	

 PRODUCERS SHOULD APPLY OWNERSHIP PERCENTAGE TO THIS FIGURE.

	TIER 1	TIER 2	TIER 3	NON TAXABLE	SUMMARY
NET BARRELS			734.20		734.20
GROSS VALUE			12,481.35		12,481.35
STATE TAX			985.14		985.14
NET VALUE			11,496.21		11,496.21
ADJ BASE PR			31.7600		

New Mexico - Oil Well

No Ad Valorem tax

Oil 12,481.35 Gross Value = 7.89% Total tax
985.14 Severance tax

Csb Head Gas 2807 Gross Value Total Gross Rev. \$15,285
223 Severance TAX. Total Tax \$1,208
= 7.90% Rate

519

WARREN PETROLEUM COMPANY
 A DIVISION OF CHEVRON U.S.A. INC.
 TULSA, OKLAHOMA 74102

G A S P U R C H A S E S T A T E M E N T

REPORT NO. PC2CM
 COPY NO. 1
 PAGE NO. 1

PLANT 00114

APRIL 1988

PRODUCER 066354 PETROLEUM PRODUCTION MNG. INC.

METER NUMBER	LEASE NAME	LEASE STATE	VOLUME CONTRACT	G.P.M. SULVOL CNOBBL	PRODUCTS - GASOLINE CONDENSATE	VALUE LPG OR SULFUR	RETURNABLE	RESIDUE RETURN	GAS FOR SALE	VALUE	GROSS VALUE	S U M M A R Y - GROSS TAXES	NET VALUE
000516	CONQUEST	219770	851	873	6.040	2568.88	229		229	238.38	2807.26	223.14	2584.12
GASO PRI/GAL .207473		GASO TEST GALS 1,594,270		THEO RETURNABLE MCF		793,387							
LPG PRI/GAL		EXCESS LPG		ACTUAL RETURNABLE MCF									
REC. FACTOR 4.696292		GAS TO PLT MCF 1,021,924		AVAIL FOR SALE MCF									
				VOLUME SOLD MCF									
				VALUE DUE LEASES									
000324	K G S 686 LTD 183920	382	392	5.860	1119.05		107		107	213.84	1332.89		1332.89
GASO PRI/GAL .207473		GASO TEST GALS 1,594,270		THEO RETURNABLE MCF		793,387							
LPG PRI/GAL		EXCESS LPG		ACTUAL RETURNABLE MCF									
REC. FACTOR 4.696292		GAS TO PLT MCF 1,021,924		AVAIL FOR SALE MCF									
				VOLUME SOLD MCF									
				VALUE DUE LEASES									
TOTAL CONTRACT			1265		3687.93		OTHER	336	452.22	4140.15	223.14	3917.01	
TOTAL TAX REIM													

MAY 20 1988

New Mexico

No Advalorem tax

K65 - Gas Well - Severance tax Reimbursed.

Conquest - Gas - ^{Vent} 2807.26 Gross Revenue
 223.14 Severance tax = 8.0 Ser. tax

5/20

CRUDE OIL STATEMENT

P.O. BOX 4648
HOUSTON, TEXAS 77210-4648
713-739-4100

MONTH OF
ACTIVITY
0488
MO YR

LEASE NO. 05364

OPERATOR PETROLEUM PRODUCTION MGMT INC
LEASE BARKER LENTZ O U ND 4
FIELD BETHANY 6350 TRAVIS PEAK
COUNTY HARRISON

DIST. NO. 06
STATE TEXAS
PRODUCT OIL

WHEN WRITING PLEASE REFER TO OUR LEASE NUMBER		DATE BOOKED
KEY TO CODE:		0488
1. RUN TICKET	4. CORRECTION	MO YR
2. ESTIMATED RUN TICKET	5. FRAC OIL SOLD	
3. LATE RUN TICKET	6. RETURNED FRAC OIL	

DATE PREPARED
88 05 06
YR. MO. DA

PETROLEUM PRODUCTION MGMT INC
P O BOX 11320
KANSAS CITY MO 64112

*CHARGES MAY ALSO BE LISTED

MO	DAY	CODE	TANK	TICKET NO.	GRAVITY	GROSS PRICE	NET BARRELS	GROSS VALUE	DISTANCE* DIFFERENTIAL	STATE TAXES	NET VALUE
41	7	01	2361 01	630329	41.31	16.5000	182.65	3,013.73	.00	138.97	2,874.76
42	8	01	2360 01	630374	41.21	17.5000	184.26	3,224.55	.00	148.67	3,075.88
STATEMENT TOTAL							366.91	6,238.28	.00	287.64	5,950.64
<p style="text-align: center;"><u>Texas Oil Lease</u></p> <p>Advalorem TAX - \$683.61 Monthly - 56.97</p> <p>Severance TAX - 287.64 Advalorem TAX - 56.97</p> <p>TOTAL TAX - \$344.61</p> <p>Gross Revenue - \$6,238.28 = 5.5% Tax Rate TOTAL TAX - \$344.61</p>											
88	05	06									

10/9

5/18/88

UNITED GAS ALLOCATION FOR THE MONTH OF:

APRIL 1988

#5 108	2.0843	BAGLEY	2.1299 SM. PROD	1.444969
#5 SM PROD	1.414033	FURRH-COOPER	2.1527	
#1 108	2.128	FURRH-LEWIS	2.0995 SM. PROD	1.424345
#1 SM PROD	1.44368	SEALEY-ALLEN	1.9969 SM. PROD	1.354739

LEASE NAME	RATE	MCF PER TMLBCO	PRICE PER MCF	GROSS VALUE	TAX REIMB.	MARKETING COST	TAX
BARKER MANNING	108	0	2.0843	\$0.00	\$0.00	\$0.00	\$0.00
BLOCKER ESTATE 2	108	457	2.0843	\$952.53	\$0.00	\$68.55	\$66.30
BLOCKER WARE 2	108	2768	2.0843	\$5,769.34	\$0.00	\$415.20	\$401.56
BONNIE CADENHEAD	104	1246	1.414033	\$1,761.89	\$132.14	\$300.02	\$109.64
MAUDE CADENHEAD	108	606	2.0843	\$1,263.09	\$0.00	\$90.90	\$87.91
FLOYD WILSON	104	1437	1.414033	\$2,031.97	\$152.40	\$215.55	\$136.23
FULTZ ADAIR	108	411	2.0843	\$856.65	\$0.00	\$61.65	\$59.62
GEORGE NEAL (KEY)	104	2684	1.414033	\$3,795.26	\$284.64	\$402.60	\$254.45
RUSSELL	108	256	2.0843	\$533.58	\$0.00	\$38.40	\$37.14
SCOTT	108	1288	2.0843	\$2,684.58	\$0.00	\$193.20	\$186.85
KRANSON GREEN	108	2126	2.0843	\$4,431.22	\$0.00	\$318.90	\$308.42
COMMONPT #5 TOTAL		13279		\$24,080.10	\$569.18	\$2,104.97	\$1,648.13
BARKER LENTZ 6		2198	1.44368	\$3,173.21	\$237.99	\$445.19	\$204.60
MERCER WOODLEY 1	108	0	2.128	\$0.00	\$0.00	\$0.00	\$0.00
MERCER WOODLEY 2		1500	1.44368	\$2,165.52	\$162.41	\$172.50	\$149.48
NEWTON 2		1433	1.44368	\$2,068.79	\$155.16	\$214.95	\$139.04
COMMPT #1 TOTAL		5131		\$7,407.52	\$555.56	\$832.64	\$493.12
BAGLEY	108	466	2.1299	\$992.53	\$0.00	\$0.00	\$74.44
FURRH-COOPER #1	108	109	2.1527	\$234.64	\$0.00	\$0.00	\$17.60
FURRH-LEWIS #2	108	92	2.0995	\$193.15	\$0.00	\$0.00	\$14.49
SEALEY-ALLEN	108	502	1.9969	\$1,002.44	\$0.00	\$0.00	\$75.18
TOTAL		1169		\$2,422.78	\$0.00	\$0.00	\$181.71

Texas

GAS Well

Advalorem TAX \$811.23
Monthly 67.60

Ad. TAX - 67.60
Sev. TAX - 401.56
TOTAL TAX - 469.16

Gross Revenue - \$5,769.34
TOTAL TAX - 469.16

= 8.1 % Tax Rate.

5-22

Batch ID: 8712J055 JIB: 12/31/87; JIB Posted? N; Gen.Led.: 12/87; Gen.Led. Posted? N Last Tran: 01/26/88

Batch Type: Comment:

Account #	Account Name	Gen.Led. Amt	Gen.Led. #	Journal Entry	Description	AFE #	Property #
				Well	Property Name	Property Type	Property #
30000000	PPMI	683.61	8000	1 4	AD VALOREM TAX-1987 Barker-Lentz Oil Unit No. 4	L	TX-809034-0
30000000	PPMI	52.49	8000	1 4	AD VALOREM TAX-1987 Barker-Lentz Oil Unit No. 5	L	TX-809035-0
30000000	PPMI	94.62	8000	1 4	AD VALOREM TAX-1987 Barker-Lentz Oil Unit No. 6	L	TX-809036-0
30000000	PPMI	50.73	8000	1 4	AD VALOREM TAX-1987 Barker-Manning Gas Unit No. 1	L	TX-809041-0
30000000	PPMI	67.30	8000	1 4	AD VALOREM TAX-1987 Barker-Rhodes Oil Unit No. 1	L	TX-809091-0
30000000	PPMI	240.68	8000	1 4	AD VALOREM TAX-1987 Bliss Stallcup #A-1	L	TX-997011-0
30000000	PPMI	63.40	8000	1 4	AD VALOREM TAX-1987 Blocker Estate Oil Unit No. 3	L	TX-998053-0
30000000	PPMI	21.97	8000	1 4	AD VALOREM TAX-1987 Blocker-Fults Gas Unit No. 1	L	TX-998061-0
30000000	PPMI	238.72	8000	1 4	AD VALOREM TAX-1987 Blocker-Ware Gas Unit No. 1	L	TX-998091-0
30000000	PPMI	811.23	8000	1 4	AD VALOREM TAX-1987 Blocker-Ware Gas Unit No. 2	L	TX-998092-0
30000000	PPMI	36.52	8000	1 4	AD VALOREM TAX-1987 Blocker-Ware Oil Unit #3	L	TX-998093-0
30000000	PPMI	51.99	8000	1 4	AD VALOREM TAX-1987 F W Blocker Est Gas Unit No. 2	L	TX-998602-0
30000800	PPMI	646.88	8000	1 4	AD VALOREM TAX-1987 Brooks-Williams Gas Unit No. 1	L	TX-1096050-0
30000800	PPMI	304.26	8000	1 4	AD VALOREM TAX-1987-COMP Brooks-Williams Gas Unit No. 1	L	TX-1096050-0
30000000	PPMI	185.11	8000	1 4	AD VALOREM TAX-1987 Bonnie Cadenhead Gas Unit No 1	L	TX-1232201-0
30000000	PPMI	114.12	8000	1 4	AD VALOREM TAX-1987 Maude Cadenhead Gas Unit No. 1	L	TX-1232401-0

5-23

SCURLOCK OIL COMPANY

P.O. BOX 4648

HOUSTON, TEXAS 77210-4648

713-739-4100

CRUDE OIL STATEMENT

MAY 9 - 1988

MONTH OF ACTIVITY	
0488	
MO	YR

LEASE NO. 15134

OPERATOR PETROLEUM PROD MGMT INC
 LEASE JA SUB FLOY
 FIELD MINDEN
 COUNTY WEBSTER

DIST. NO. 51
 STATE LOUISIANA
 PRODUCT OIL

WHEN WRITING: PLEASE REFER TO OUR LEASE NUMBER

KEY TO CODE:	
1. RUN TICKET	4. CORRECTION
2. ESTIMATED RUN TICKET	5. FRAC OIL SOLD
3. LATE RUN TICKET	6. RETURNED FRAC OIL

DATE BOOKED	
0488	
MO.	YR.

DATE PRINTED		
88 05 06		
YR.	MO.	DA.

PETROLEUM PROD MGMT INC
 2924 KNIGHT ST STE 401
 SHREVEPORT LA 71105

*CHARGES MAY ALSO BE LISTED

MO	DAY	CODE	TANK	TICKET NO.	GRAVITY	GROSS PRICE	NET BARRELS	GROSS VALUE	DISTANCE* DIFFERENTIAL	STATE TAXES	NET VALUE
4	6	01	14495 01	820216	30.2	15.8000	189.99	3,001.84	.00.	369.29	2,632.55
4	7	01	14494 01	870221	36.5	15.9200	167.80	2,571.38	.00.	328.68	2,342.70
4	14	01	14495 01	820233	29.8	16.2800	185.64	3,022.22	.00.	371.93	2,650.29
4	24	01	14494 01	870258	29.8	17.2800	179.39	3,099.86	.00.	381.88	2,717.98
4	26	01	14495 01	870263	29.8	17.2800	183.77	3,175.55	.00.	391.20	2,784.35
STATEMENT TOTAL							906.59	14,970.85	.00.	1,843.03	13,127.82

La. Oil Lease

Advalorem tax - \$914.01
= \$76.16 Mo.

Advalorem tax - \$76.16
Severance Tax - \$1843.03
TOTAL TAX - \$1919.19

Gross Revenue - \$14,970.85 = 12.8% Tax Rate
TOTAL TAX - 1,919.19

594
 88/05/06

SCURLOCK OIL COMPANY

CRUDE OIL STATEMENT

P.O. BOX 4648
HOUSTON, TEXAS 77210-4648
713-739-4100

MAY 9 - 1988

LEASE NO. 62155

WHEN WRITING: PLEASE REFER TO OUR LEASE NUMBER

KEY TO CODE:		DATE BOOKED
1. RUN TICKET	4. CORRECTION	6.488 MO YR.
2. ESTIMATED RUN TICKET	5. FRAC OIL SOLD	
3. LATE RUN TICKET	6. RETURNED FRAC OIL	

MONTH OF ACTIVITY
4 6 5
MO YR

OPERATOR PETROLEUM PROD MGMT INC
LEASE GW HILL SU
FIELD GREENWOOD WASKOM
COUNTY CADD

DIST. NO. 61
STATE LOUISIANA
PRODUCT OIL

DATE PREPARED
68 05 01
YR MO DA

PETROLEUM PROD MGMT INC
2924 KNIGHT ST STE 401
SHREVEPORT LA 71105

*CHARGES MAY ALSO BE LISTED

MO	DAY	CODE	TANK	TICKET NO.	GRAVITY	GROSS PRICE	NET BARRELS	GROSS VALUE	DISTANCE* DIFFERENTIAL	STATE TAXES	NET VALUE
4	30	1	12754 01	600303	41.4	16.0000	186.08	2,945.28	.00.	90.60	2,854.68
4	30	1	1791 01	600304	41.9	16.0000	176.91	2,830.56	.00.	87.07	2,743.49
4	40	1	12362 01	670269	42.0	16.0000	187.39	2,998.24	.00.	92.23	2,906.01
4	50	1	14574 01	670275	42.0	16.0000	178.08	2,849.28	.00.	87.65	2,761.63
4	60	1	12730 01	670265	40.5	16.0000	182.28	2,916.48	.00.	89.72	2,826.76
4	10	1	14574 01	600310	42.4	16.0000	187.22	2,995.52	.00.	92.15	2,903.37
4	20	1	12802 01	600219	41.8	16.5000	184.31	3,041.12	.00.	93.60	2,947.52
4	10	1	1790 01	600329	41.6	16.5000	186.28	3,073.62	.00.	94.60	2,979.02
4	19	1	12361 01	600344	41.7	17.5000	185.83	3,252.03	.00.	100.17	3,151.86
4	19	1	14574 01	600346	41.6	17.5000	189.01	3,307.58	.00.	101.89	3,205.79
4	21	1	12730 01	600353	41.9	17.5000	183.61	3,213.18	.00.	98.98	3,114.20
4	24	1	12754 01	600363	41.7	17.5000	187.14	3,274.95	.00.	100.88	3,174.07
4	28	1	14574 01	600378	41.7	17.5000	188.61	3,300.68	.00.	101.57	3,199.11
4	28	1	1790 01	600379	41.4	17.5000	186.10	3,256.75	.00.	100.32	3,156.43
STATEMENT TOTAL							2,586.85	43,255.37	.00.	1,331.53	41,923.84

Ad Valorem TAX - 13,640.04
Monthly = 1136.67
Severance tax = 1331.53
Total TAX - 2468.20

Gross Revenue - 43,255.37
Total TAX - 2,468.20 = 5.7% Rate

88/05/88

505

ARKANSAS LOUISIANA GAS COMPANY
GAS ACCOUNTING DEPARTMENT SHREVEPORT, LOUISIANA
GAS PURCHASE STATEMENT

PERIOD:
APRIL,

09-127
 1988

GAS SETTLEMENT

GPR0026, PGM GPR00616

114961

STATE STANDARD VOLUMES		NET CONTRACT VOLUME AT CONTRACT P.B.	GROSS VALUE OF GAS	ADDITIONAL GAS VALUES		DEDUCTIBLE GAS VALUES		TOTAL GROSS VALUE OF GAS	SEVERANCE TAX VOLUME OR VALUE	AMOUNT OF SEVERANCE TAX	OTHER TAXES	TOTAL NET VALUE OF GAS	ADJUSTMENTS GROSS NET
METERED VOLUME	DELIVERED VOLUME			TAX REIMBURSEMENT	OTHER	COMPRESSION CHARGES	OTHER						
ADDITIONAL VALUES OF GAS SUBJECT TO REFUND			GROSS VALUE OF GAS	SEVERANCE TAX REIMBURSEMENT	PETRO EXCISE TAX REIMBURSEMENT			TOTAL GROSS VALUE OF GAS	SEVERANCE TAX VOLUME OR VALUE	AMOUNT OF SEVERANCE TAX	PETRO EXCISE TAX	TOTAL NET VALUE OF GAS	ADJUSTMENTS GROSS NET
150						69103	195						

LIQUID HYDROCARBON SETTLEMENT

STATE STANDARD METERED VOLUME	GROSS VALUE OF GASOLINE (1)	GROSS VALUE OF LPG (2)	PROCESSING FEE FOR LHC	LHC VALUES ATTRIBUTABLE TO PLANT PRODUCTION (3)		ADDITIONAL LHC VALUES TAX REIMBURSEMENT				TOTAL GROSS VALUE OF LHC	ADJUSTMENTS GROSS NET	
				GALLONS	VALUE	LHC	GASOLINE	BUT/PRO	CONDENSATE			
TAXABLE BARRELS CONDENSATE	TAXABLE VALUE CONDENSATE	SEVERANCE TAX ON CONDENSATE	TAXABLE VOLUME OR VALUE LHC	SEVERANCE TAX ON LHC	TAXABLE VOLUME OR VALUE GASO.	SEVERANCE TAX ON GASOLINE	TAXABLE VOLUME OR VALUE B/P	SEVERANCE TAX ON BUT/PRO	TOTAL SEVERANCE TAX	OTHER TAX	TOTAL NET VALUE OF LHC	

CONDENSATE SETTLEMENT

SETTLEMENT BARRELS	GROSS VALUE OF CONDENSATE	ADDITIONAL VALUE OF CONDENSATE		DEDUCTIBLE VALUE OF CONDENSATE	TOTAL GROSS VALUE CONDENSATE	TOTAL VOLUME OR VALUE CONDENSATE	AMOUNT OF SEVERANCE TAX	OTHER TAXES	TOTAL NET VALUE CONDENSATE	ADJUSTMENTS GROSS NET
		TAX REIMBURSEMENT	OTHER							

NATURAL GASOLINE SETTLEMENT (1)				LPG SETTLEMENT (2)						
GASO GPH	POSTED PRC GASO	CONTR PCT	U. P. PER MCF	TOT MCF DEL TO PLT	GAL. LPG SOLD	PRICE/GAL	TOT VAL LPG	CONTR PCT	SETTLEMENT VAL	U. P. PER MCF

PLANT LHC VALUE (3)				LEASE POTENTIAL LHC GALLONS								
TOTAL POTENTIAL GAL LHC ALL LEASES	TOTAL PLANT LHC GAL. AG	TOTAL PLANT LHC VALUE	CONTRACT PERCENT	SETTLEMENT GALLONS	SETTLEMENT VALUE	GASO GPH	GALLONS GASO	BPM	COND	COND	GALLONS	TOTAL GALLONS

MAIL TO:

THE MAURICE L BROWN TRUST
 PO BOX 11320
 KANSAS CITY MO 64112
La.

RATE SCHEDULE	
NUMBER	DECIMAL
TOTAL	100000000

OPERATOR
 LEASE
 ZONE
 STATE
 COUNTY/PARISH
 FIELD
 SELLER

MAURICE L BROWN TRUST
 GLOYD CENTRAL 1 13161
 LOUISIANA
 CALDWELL PARISH LA
 740154-0
 114961

LEASE CODE 22-071-5030
 METER STATION 867182
 CONTRACT
 PLANT
 PRESSURE BASE
 GAS BTU

No Ad Valorem tax
Severance Tax Reimbursed.

Gas Well

Report: 01-Journal Voucher Batch Register

Prepared on: TUE, DEC 22, 1987, 5:07 PM (Day #356) Page: 1

Batch ID: 8711J055

JIB: 11/30/87; JIB Posted? N; Gen.Led.: 11/87; Gen.Led. Posted? N Last Tran: 12/22/

Batch Type:

Comment:

Account #	Account Name	Gen.Led. Amt	Gen.Led. #	Journal Entry Description	AFE #
				Well Property Name	Property Type Property #
35333031	CITY OF GREENWOOD	1,124.21-	4000 2 0	AD VALOREM TAXES-CITY OF GREENWOOD	
35333033	CITY OF SHREVEPORT	53.95-	4000 2 0	AD VALOREM TAXES-CITY OF SHREVEPORT	
35333037	CADDO PARISH TAX COLLECTOR	15,677.86-	4000 2 0	AD VALOREM TAXES-CADDO PARISH	
35333043	CALDWELL PARISH TAX COLLECTOR	1,701.26-	4000 2 0	AD VALOREM TAXES-CALDWELL PARISH	
35333047	CLAIBORNE PARISH TAX COLLECTOR	612.30-	4000 2 0	AD VALOREM TAXES-CLAIBORNE PARISH	
35333031	CITY OF GREENWOOD	1,124.21	8000 1 4	AD VALOREM TAXES-1987 Greenwood Rodessa Hill Unit	L LA-3273090-0
35333037	CADDO PARISH TAX COLLECTOR	12,515.83	8000 1 4	AD VALOREM TAXES-1987 Greenwood Rodessa Hill Unit	L LA-3273090-0
35333043	CALDWELL PARISH TAX COLLECTOR	1,701.26	8000 1 4	AD VALOREM TAXES-1987 Schleif #1	L LA-7734001-0
35333047	CLAIBORNE PARISH TAX COLLECTOR	612.30	8000 1 4	AD VALOREM TAXES-1987 Wm Chatman 1-0	L LA-9413031-0
35333037	CADDO PARISH TAX COLLECTOR	3,047.79	8000 1 4	AD VALOREM TAXES-1987 Wasken	L TX-9240000-5
35333033	CITY OF SHREVEPORT	53.95	9200 86 0	AD VALOREM TAX-CITY OF SHREVEPORT	
35333037	CADDO PARISH TAX COLLECTOR	114.24	9200 86 0	AD VALOREM TAXES-1987-CADDO PARISH	

Batch Total JIB Total

Totals for Batch: 19,169.58 19,001.39
 Calculated Totals: 19,169.58 19,001.39 Total DR: 19,169.58 Total CR: 19,169.58- (DR + CR): .0

12 Journal Entries in this batch

527

Batch Type: Comment:

Account #	Account Name	Gen.Led. Amt	Gen.Led. #	Journal Entry Description	AFE #
				Well Property Name	Property Type Property #
35333047	CLAIBORNE PARISH TAX COLLECTOR	3,115.90-	4000 2 0	AD VALOREM TAXES-CLAIBORNE PARISH	
35333055	WEBSTER PARISH TAX COLLECTOR	5,947.27-	4000 2 0	AD VALOREM TAXES-WEBSTER PARISH	
35333055	WEBSTER PARISH TAX COLLECTOR	914.01	8000 1 4	AD VALOREM TAXES-1987 James Lu "B" Floy #1	L LA-2851101-0
35333055	WEBSTER PARISH TAX COLLECTOR	1,054.10	8000 1 4	AD VALOREM TAXES-1987 Hudson #1	L LA-3790001-0
35333055	WEBSTER PARISH TAX COLLECTOR	826.45	8000 1 4	AD VALOREM TAXES-1987 Lee #2	L LA-5187002-0
35333055	WEBSTER PARISH TAX COLLECTOR	779.00	8000 1 4	AD VALOREM TAXES-1987 Mindon #2 & #2-D	L LA-5741002-0
35333055	WEBSTER PARISH TAX COLLECTOR	984.40	8000 1 4	AD VALOREM TAXES-1987 Mindon Unit #10	L LA-5741010-0
35333047	CLAIBORNE PARISH TAX COLLECTOR	370.53	8000 1 4	AD VALOREM TAXES-1987 Guy Oakes A-1	L LA-6206011-0
35333047	CLAIBORNE PARISH TAX COLLECTOR	369.77	8000 1 4	AD VALOREM TAXES-1987 Guy Oakes A-2 SWD	L LA-6206012-5
35333047	CLAIBORNE PARISH TAX COLLECTOR	399.50	8000 1 4	AD VALOREM TAXES-1987 Guy Oakes A-3 and A-3-D	L LA-6206013-0
35333047	CLAIBORNE PARISH TAX COLLECTOR	332.73	8000 1 4	AD VALOREM TAXES-1987 Guy Oakes A-4 and A-4-D	L LA-6206014-0
35333047	CLAIBORNE PARISH TAX COLLECTOR	531.92	8000 1 4	AD VALOREM TAXES-1987 Guy Oakes A-5	L LA-6206015-0
35333047	CLAIBORNE PARISH TAX COLLECTOR	234.08	8000 1 4	AD VALOREM TAXES-1987 Guy Oakes B-1 SWD	L LA-6206021-5
35333047	CLAIBORNE PARISH TAX COLLECTOR	392.53	8000 1 4	AD VALOREM TAXES-1987 Guy Oakes B-2 and B-2-D	L LA-6206022-0
35333047	CLAIBORNE PARISH TAX COLLECTOR	485.04	8000 1 4	AD VALOREM TAXES-1987 Guy Oakes B-4	L LA-6206024-0
35333055	WEBSTER PARISH TAX COLLECTOR	848.48	8000 1 4	AD VALOREM TAXES-1987 Sims #3	L LA-7923003-0

5-28



SCURLOCK OIL COMPANY • 333 CLAY • P.O. BOX 4648 • HOUSTON, TEXAS • 77210-4648 • (713) 739-4100

January 4, 1989

JAN 9 - 1989

Petroleum Production Management Inc.
2924 Knight Street Suite 401
Shreveport, Louisiana 71105

Xc

RE: Lease Name GW Hill SU
Lease Location Greenwood Waskom Field
Lease Operator Maurice L Brown Co.
Ashland Lease No. 62155
State Lease No.
Owner No.
Ownership %

Dear: Petroleum Prod. Management Inc.

Our records reflect that you operated the above referenced crude oil lease. The State of Louisiana, Department of Revenue and Taxation has filed a claim with Ashland for the underpayment of severance tax associated with the removal of crude oil from your lease for the period from 03/84 to 12/84. Ashland as the purchaser of oil from this property withheld severance tax from each owner and deposited this withholding with the State of Louisiana. In the role of purchaser, Ashland is required by the state to remit the underpayment to them and to effect recovery from the owners of the lease.

As you know, the State of Louisiana levies a three-tier severance tax, be well, with the respective rates based upon certain production characteristics. The three rates and a brief explanation of each are listed below:

<u>Type</u>	<u>% of Gross Value</u>	<u>Explanation</u>
STRIPPER	3 1/8%	Any well which is incapable of producing more than ten barrels per day.
INCAPABLE	6 1/4%	Any well which is incapable of producing more than twenty five barrels per day and which produces at lease 50% saltwater.
CAPABLE	12 1/2%	Any well not qualifying for a reduced rate.

529

ERGON OIL PURCHASING, INC JACKSON, MISSISSIPPI
LEASE RUN STATEMENT

MAY 13 1988

LEASE FLOWERS NO 2 LEASE NO. 9657 DATE 04/30/88
OPERATOR PETROLEUM PRODUCTION MGMT., INC
FIELD SMITHDALE FIELD NO. 7150

MO. DAY	TANK NO.	TICKET NO.	60 GRAV.	NET BARRELS	PRICE	GROSS VALUE	SEV TAX	OTHER TAX	NET VALUE
04 08	60235	025968	42.9	389.34	16.0000	6,229.44	373.77	7.79	5,847.88
04 21	60235	025990	43.0	194.47	17.5000	3,403.23	204.19	3.89	3,195.15

LEASE TOTAL 583.81 \$577.96 \$9,043.03
\$9,632.67 \$11.68

COMPONENT CATEGORY	NET BARRELS	PRICE	GROSS VALUE	SEV TAX	OTHER TAX	NET VALUE
STRIPPER OIL	583.81	16.49967	9,632.67			
LEASE TOTAL ***	583.81	16.49967	9,632.67	577.96	11.68	9,043.03

Advalorem TAX \$31.13 Year
#2.59 mo.
Mississippi Oil Well
Severance TAX \$577.96
Conservation TAX 11.68
Advalorem TAX 2.59
Total TAX \$592.23

Gross Revenue \$9,632.67
Total TAX 592.23 = 6.1% Tax Rate.

6.30

SPOONER PETROLEUM CO.
OIL & GAS ACCOUNT

MONTHLY STATEMENT OF WELL DISBURSEMENTS

OWNER NO. 70035

DATE 03/25/88

No. 32182

DATE	LEASE NUMBER	P C	OWNER'S INTEREST	OWNER'S VOLUME (BBLS OR MCF)	OWNER'S GROSS	WINDFALL PROFITS TAX	EXPENSE	OWNER'S TAX	OWNER'S NET
01/88	68120	01	COLEMAN BROWN 1.00000000	4880.00	8261.32	.00	.00	609.84	7651.48
TOTALS					8261.32	.00	.00	609.84	7651.48

MISSISSIPPI
Gas Well
Advalorem TAX - 0 - None
Severance TAX - 609.84

Gross Revenue - 8,261.32
Total Tax - 609.84 = 7.4% Tax Rate

C: 1-DRY GAS 2-CASING HEAD GAS 3-QUALIFIED GOV. OIL 4-QUALIFIED CHARITABLE OIL 5-EXEMPT INDIAN OIL 6-EXEMPT ALASKAN OIL
7-EXEMPT FRONT-END OIL 8-SADLEROCHIT OIL 9-NEWLY DISCOVERED OIL 10-INCREMENTAL TERTIARY OIL 11-HEAVY OIL 12-OIL-TIER ONE
13-OIL-TIER TWO 14-OIL-TIER THREE 15-CONDENSATE

SPOONER PETROLEUM COMPANY

OIL & GAS ACCOUNT
111 E. CAPITOL ST., SUITE 300
JACKSON, MS 39201

85-543
653

Deposit Guaranty National Bank
Jackson, Mississippi

No. 32182

CHECK NO. 32182
OWNER NO. 70035
DATE 03/25/88

PAY \$ *****7,651.48

**** SEVEN THOUSAND SIX HUNDRED FIFTY-ONE & 48/100 ****

PAY TO THE ORDER OF
PETROLEUM PRODUCTION MANAGEMEN
P. O. BOX 11320
KANSAS CITY, MO. 64112

SPOONER PETROLEUM CO.
OIL & GAS ACCOUNT

Michael Brown 5/81

Batch Type: Comment:

Account #	Account Name	Gen.Led. Amt	Gen.Led. #	Journal Entry Description	AFE #
				Well Property Name	Property Type Property #
3	PPMI AGENT-O/S OPERATED	316.77- 1200	1 0	ADJUST AGENT .7702037 G. POWELL-JOHN WALTON G. U. #1 L	TX-4671051-0
3	PPMI AGENT-O/S OPERATED	12.57- 1200	1 0	ADJUST AGENT .1045 VAUGHN #1 SALE LEASE	L TX-8981001-0
		12.57 1200	1 2	AD VALOREM TAX (AGENT) VAUGHN	
		686.53- 4000	2 0	AD VALOREM TAXES	
		5,818.20- 4000	2 0	AD VALOREM TAXES-ELYSIAN FIELD ISD	
		3,901.43- 4000	2 0	AD VALOREM TAXES-HARRISON COUNTY	
		1,121.50- 4000	2 0	AD VALOREM TAXES-JEFFERSON ISD	
		8,455.37- 4000	2 0	AD VALOREM TAXES-CARTHAGE ISD	
		3,700.89- 4000	2 0	AD VALOREM TAXES-KARSHALL ISD	
		996.30- 4000	2 0	AD VALOREM TAXES-HARLETON ISD	
		3,237.29- 4000	2 0	AD VALOREM TAXES-WASKOM ISD	
30000000	PPMI	1,223.82 8000	0 0	AD VALOREM TAX-1987 Blocker Camp & Field Operation S	TX-998030-0
30000000	PPMI	17.69 8000	0 0	AD VALOREM TAX-1987-URR1 Blocker Camp & Field Operation S	TX-998030-0
30000000	PPMI	206.63 8000	1 4	AD VALOREM TAX-1987-ORR1 Expense-The Kansas City Co	L MO-4826500-5
30000000	PPMI	31.13 8000	1 4	AD VALOREM TAX-1987 Flowers #2	L MS-2861002-
30000000	PPMI	88.07 8000	1 4	AD VALOREM TAX-1987 Bagley Gas Unit No. 1	L TX-754001-0
30000000	PPMI	50.60 8000	1 4	AD VALOREM TAX-1987 Baldwin Gas Unit No. 1	L TX-792001-0
30000000	PPMI	284.63 8000	1 4	AD VALOREM TAX-1987 Barker-Lentz Oil Unit No. 1	L TX-809031-0
30000000	PPMI	38.98 8000	1 4	AD VALOREM TAX-1987 Barker-Lentz Oil Unit No. 3	L TX-809033-0

532

Kansas Ad Valorem Tax Analysis
1988

County	1988			1987 W.I. Revenue (See Note)	% TAX/ W.I. REV	1987 Lifting Cost	1987 Operating Income	% Tax/ Operating Inc
	Lease	Valuation	Tax					
<i>oil</i> Comanche <i>GAS</i>								
✓ Fisher #1 ✓	22,960	2,380		41,025	0.058	14,382	26,643	0.089
Fisher #2	1,350	140		2,237	0.063	16,706	(14,469)	1.000
Herrington	7,610	789		22,993	0.034	16,612	6,381	0.124
✓ V.L. Smith ✓	34,720	3,599		60,501	0.059	18,323	42,178	0.085
Toothaker #1	118,715	12,301		150,960	0.081	15,578	135,382	0.091
Toothaker #2	10,120	1,049		19,564	0.054	12,453	7,111	0.148
	195,475	20,258	0.104	297,280	0.068	94,054	203,226	0.100
Finney <i>Gas</i>								
✓ Aeilts #5 ✓	51,620	5,711		39,070	0.146	6,192	32,878	0.174
R. Crist	162,900	18,025		394,440	0.046	102,342	292,098	0.062
Finnup Gas Unit	28,510	3,155		16,205	0.195	6,553	9,652	0.327
Hugoton Gas Unit	25,650	2,838		31,860	0.089	16,952	14,908	0.190
Maune-Appleman	260	29		8,847	0.003	(985)	9,832	0.003
A. Maune	83,650	9,256		193,022	0.048	59,365	133,657	0.069
✓ L. Maune	51,960	5,749		99,611	0.058	29,675	69,936	0.082
L. Maune #4	3,100	343		27,067	0.013	13,632	13,435	0.026
S.W. Maune #4	92,270	10,210		63,608	0.161	6,010	57,598	0.177
Lang	26,890	2,975		52,398	0.057	36,121	16,277	0.183
✓ Nunn Pool	148,380	16,418		406,517	0.040	241,148	165,369	0.099
Stevenson	67,830	7,505		45,756	0.164	36,144	9,612	0.781
Strackeljohn ✓	98,470	10,896		55,754	0.195	7,275	48,479	0.225
Wampler	3,610	399		3,928	0.102	6,148	(2,220)	1.000
Wampler A-1	3,120	345		7,366	0.047	12,556	(5,190)	1.000
Wampler B-1	3,200	354		10,662	0.033	12,242	(1,580)	1.000
	851,420	94,208	0.111	1,456,111	0.065	591,370	864,741	0.109
Graham								
Knipp	32,880	4,163		337,920	0.012	369,112	(31,192)	1.000
LKC	5,290	670		82,951	0.008	62,277	20,674	0.032
	38,170	4,833	0.127	420,871	0.011	431,389	(10,518)	1.000

533

County	1988			1987	% TAX/ W.I. REV	1987	1987	%
	Valuation	Tax	Rate	W.I. Revenue (See Note)		Lifting Cost	Operating Income	Operating Inc
<i>oil</i>	Lease							
	<i>Gas</i>							
Kearny								
Beymer	9,860	538		56,386	0.010	22,814	33,572	0.016
Beymer Appleman	415	23		1,753	0.013	3,963	(2,210)	1.000
Beymer B Gas Unit	655	36		2,883	0.012	6,085	(3,202)	1.000
Harshbarger	1,675	78		13,482	0.006	6,505	6,977	0.011
Johnson	7,720	422		23,326	0.018	17,596	5,730	0.074
M. Maune	39,760	1,852		21,691	0.085	15,477	6,214	0.298
Thornbrough Unit	26,490	1,448		64,008	0.023	41,619	22,389	0.065
	86,575	4,397	0.051	183,529	0.024	114,059	69,470	0.063
Kingman								
Althouse	8,870	970		38,161	0.025	25,618	12,543	0.077
Althouse A	37,740	4,130		67,980	0.061	20,252	47,728	0.087
Ash	5,735	621		21,910	0.028	11,353	10,557	0.059
Brown A	33,530	3,631		65,794	0.055	23,173	42,621	0.085
Brown B	25,715	2,785		42,584	0.065	11,359	31,225	0.089
Foley A	5,250	569		28,807	0.020	11,805	17,002	0.033
Foley-Leslie	7,330	794		52,881	0.015	28,247	24,634	0.032
Foley-SW	29,330	3,177		70,832	0.045	27,977	42,855	0.074
Kostner	19,075	2,087		42,351	0.049	15,858	26,493	0.079
Kostner 30-1	8,800	963		19,559	0.049	11,042	8,517	0.113
Swingle	44,420	4,031		80,237	0.050	13,994	66,243	0.061
Turner	16,795	1,819		49,925	0.036	23,555	26,370	0.069
	242,590	25,577	0.105	581,021	0.044	224,233	356,788	0.072
Kiowa								
Booth #1	15,899	1,339		30,235	0.044	16,199	14,036	0.095
Dorsett #2	5,950	501		28,970	0.017	19,733	9,237	0.054
Fisher A #1	16,969	1,429		70,135	0.020	17,439	52,696	0.027
Koehn	3,117	262		17,385	0.015	18,871	(1,486)	1.000
Parkin	13,392	960		20,314	0.047	14,284	6,030	0.159
Alton Unruh B	8,741	736		57,376	0.013	26,224	31,152	0.024
Curtis Unruh	38,027	3,202		46,476	0.069	29,001	17,475	0.183
J.C. Unruh D	15,049	1,267		37,335	0.034	18,926	18,409	0.069
Unruh Unit	17,027	1,434		330,249	0.004	142,670	187,579	0.008
Yost G.U. #2	5,534	466		14,681	0.032	13,153	1,528	0.305
Yost G.U. #3	150	13		1,947	0.007	2,717	(770)	1.000
Yost G.U. #4	38,151	3,213		81,553	0.039	17,971	63,582	0.051
	178,006	14,822	0.083	736,656	0.020	337,188	399,468	0.037

534

County	1988			1987 W.I. Revenue (See Note)	% TAX/ W.I. REV	1987 Lifting Cost	1987 Operating Income	% Tax/ Operating Inc	
	Lease	Valuation	Tax						Rate
<i>oil</i>									
	<i>Gas</i>								
Rooks									
Copeland		2,959	338	17,295	0.020	18,269	(974)	1.000	
		2,959	338	0.114	17,295	0.020	18,269	(974)	1.000
Scott									
E.J. Baker #1		2,820	338	9,967	0.034	11,637	(1,670)	1.000	
Collingwood B		8,692	1,043	6,345	0.164	7,410	(1,065)	1.000	
R.L. Crist A ✓		27,489	3,299	8,509	0.388	6,695	1,814	1.819	
Rhoda Crist ✓		3,224	387	16,524	0.023	12,430	4,094	0.095	
Rhoda Crist A 1 ✓		71,648	8,598	31,351	0.274	7,288	24,063	0.357	
Gruben A		29,956	3,595	15,956	0.225	7,461	8,495	0.423	
Patton B		48,923	5,871	69,619	0.084	23,919	45,700	0.128	
Shallow Water Unit		6,590	791	18,675	0.042	28,886	(10,211)	1.000	
Smith		82,874	9,945	243,712	0.041	146,038	97,674	0.102	
		282,216	33,867	0.120	420,658	0.081	251,764	168,894	0.201
Stafford									
Curtis		4,720	594	24,787	0.024	22,197	2,590	0.229	
O'Dell A		19,370	2,439	38,479	0.063	11,759	26,720	0.091	
		24,090	3,033	0.126	63,266	0.048	33,956	29,310	0.103
Sedgwick									
Alexander		3,480	369	18,388	0.020	12,305	6,083	0.061	
Bartholomew Unit		28,860	2,815	81,249	0.035	56,964	24,285	0.116	
		32,340	3,184	0.098	99,637	0.032	69,269	30,368	0.105
TOTAL		1,933,841	204,517	0.106	4,276,324	0.048	2,165,551	2,110,773	0.097

Note - WI Revenue is gross revenue less severance taxes - no operating cost have been deducted from WI revenue.

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KSADVSUM
November 30, 1988

Kansas Ad Valorem Tax Analysis
1983 - 1988

County	1983			1984			1985			1986			1987			1988		
	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate
Barber	14,005	1,076	0.077	17,210	1,152	0.067	3,320	290	0.087	910	93	0.102	1,160	124	0.107	957	114	0.119
Barton	2,860	233	0.081	0	0	0.000	0	0	0.000	0	0	0.000	0	0	0.000	0	0	0.000
Comanche	674,105	42,838	0.064	412,080	27,805	0.067	370,099	31,513	0.085	356,620	32,415	0.091	148,000	13,815	0.093	205,640	21,314	0.104
Ellis	103,977	6,050	0.058	100,833	6,357	0.063	52,101	4,074	0.078	27,017	2,437	0.090	2,041	249	0.122	1,894	235	0.124
Finney	1,777,400	144,440	0.081	1,777,235	157,506	0.089	1,822,960	170,276	0.093	1,363,665	144,423	0.106	1,055,727	110,651	0.105	855,955	94,709	0.111
Graham	698,820	47,867	0.068	599,215	42,932	0.072	391,849	31,603	0.081	139,040	14,568	0.105	64,021	7,730	0.121	40,268	5,093	0.126
Greenwood	160	17	0.108	130	14	0.110	0	0	0.000	0	0	0.000	0	0	0.000	0	0	0.000
Harvey	32,265	2,589	0.080	23,845	1,752	0.073	0	0	0.000	0	0	0.000	0	0	0.000	0	0	0.000
Kearny	574,455	23,141	0.040	336,285	17,624	0.052	295,840	14,913	0.050	274,505	11,502	0.042	248,815	10,047	0.040	86,575	4,397	0.051
Kingman	1,056,260	79,850	0.076	991,225	74,318	0.075	921,245	81,899	0.089	312,446	29,598	0.095	290,025	31,385	0.108	246,590	25,943	0.105
Kiowa	2,255,015	119,404	0.053	1,835,410	108,374	0.059	594,820	48,451	0.081	819,500	58,040	0.071	245,663	18,319	0.075	190,196	15,849	0.083
Morris	108,010	8,902	0.082	58,405	4,527	0.078	54,680	4,909	0.090	0	0	0.000	0	0	0.000	0	0	0.000
Osawnee	59,880	4,960	0.083	70,630	6,081	0.086	27,040	2,564	0.095	31,430	2,985	0.095	0	0	0.000	0	0	0.000
Pratt	660	67	0.101	255	28	0.109	140	17	0.119	125	15	0.120	115	17	0.148	100	15	0.150
Rice	725	54	0.075	736	61	0.083	160	16	0.100	480	48	0.100	341	32	0.094	140	15	0.107
Rooks	12,005	579	0.048	7,010	380	0.054	7,035	441	0.063	5,620	495	0.088	2,731	287	0.105	3,094	353	0.114
Russell	2,890	231	0.080	700	65	0.093	3,655	301	0.082	2,318	254	0.110	1,301	150	0.115	412	46	0.112
Scott	971,630	85,775	0.088	956,410	72,486	0.076	986,010	96,067	0.097	559,145	51,794	0.093	339,258	36,159	0.107	282,351	33,883	0.120
Stafford	60,155	4,081	0.068	54,495	4,832	0.089	54,180	5,024	0.093	31,410	3,131	0.100	26,280	3,204	0.122	24,090	3,033	0.126
Sedgwick	163,910	15,499	0.095	107,610	10,156	0.094	70,410	6,859	0.097	47,910	4,651	0.097	33,460	3,538	0.106	36,920	3,859	0.105
Sheridan	63,307	7,252	0.115	56,799	6,726	0.118	32,334	3,812	0.118	9,629	1,109	0.115	0	0	0.000	0	0	0.000
	8,632,494	594,905	0.069	7,406,518	543,175	0.073	5,687,878	503,028	0.088	3,981,770	357,558	0.090	2,458,938	235,707	0.096	1,975,182	208,858	0.106

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KSADVTX
November 30, 1988

Kansas Ad Valorem Tax Analysis
1983 - 1988

County	1983			1984			1985			1986			1987			1988				
	Lease	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	
Barber																				
Vanderwork	10,660	820		5,270	353					0	0		0	0		0	0		0	0
Stannard	315	22								0	0		0	0		0	0		0	0
Lonker/Wild Boys/Silver Bullet	3,030	233		11,940	799		3,320	290		910	93		1,160	124		957	114			
	14,005	1,076	0.077	17,210	1,152	0.067	3,320	290	0.087	910	93	0.103	1,160	124	0.107	957	114	0.119		
Barton																				
Brown Yard - Furley	2,860	233											0	0		0	0		0	0
	2,860	233	0.081	0	0	0.000	0	0	0.000	0	0	0.000	0	0	0.000	0	0	0.000	0	0.000
Comanche																				
Comanche County Yard							1,135	96		1,135	103		670	63		5,830	604			
Herrington	19,250	1,224		21,215	1,435		7,185	612		14,910	1,356		3,955	369		7,610	789			
Fisher #2	7,015	444		36,065	2,425		12,120	1,028		6,835	621		6,010	561		1,350	140			
Fisher #1	59,995	3,794		50,255	3,380		4,765	404		53,955	4,898		2,685	250		22,960	2,380			
Lemon	8,910	562		7,075	479		12,390	1,055		15,380	1,407		4,070	382		1,915	200			
L.W. Rhodes	5,500	347		2,390	162		1,270	108		4,080	373		3,530	332		1,605	167			
Hackney #2-13	4,355	275		515	35		120	10		55	5		55	5		0	0			
Toothaker #1	568,765	36,173		180,260	12,196		276,335	23,545		180,805	16,449		111,515	10,407		118,715	12,301			
V.L. Smith	315	20		89,130	5,994		29,190	2,476		48,085	4,365		7,235	675		34,720	3,599			
Toothaker #2				2,260	153		2,260	193		11,605	1,056		2,840	265		10,120	1,049			
Fisher #1-Royalty				1,930	130		445	38		2,310	193		120	11		815	85			
Fisher #2-Royalty				1,375	92		660	56		315	29		25	2		0	0			
V.L. Smith-Royalty				6,660	448		2,860	243		4,090	371		815	76		0	0			
Toothaker #1-Royalty				6,475	438		9,682	825		13,060	1,188		4,065	379		0	0			
Toothaker #1-Royalty				6,475	438		9,682	825					410	38		0	0			
	674,105	42,838	0.064	412,080	27,805	0.067	370,099	31,513	0.085	356,620	32,415	0.091	148,000	13,815	0.093	205,640	21,314	0.104		
Ellis																				
Zachman	99,959	5,733		96,839	6,012		48,302	3,708		24,587	2,183		0	0		0	0		0	0
Bemis	1,179	93		1,431	123		1,463	104		982	103		808	99		918	114			
Koblitz	1,169	92		1,076	93		1,074	141		518	54		493	60		506	63			
Gross A	1,670	132		1,487	128		1,262	122		930	97		740	90		470	58			
	103,977	6,050	0.058	100,833	6,357	0.063	52,101	4,074	0.078	27,017	2,437	0.090	2,041	249	0.122	1,894	235	0.124		

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County	1983			1984			1985			1986			1987			1988				
	Lease	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	
Finney																				
Nunn Pool	416,260	33,850		337,870	29,956		280,485	26,211		195,040	20,659		168,680	17,740		148,380	16,418			
Lang	86,570	7,040		45,950	4,074		63,620	5,945		59,535	6,306		27,890	2,933		26,890	2,975			
Maune-Appleman	16,580	1,348		13,365	1,185		12,320	1,151		10,905	1,155		2,370	249		260	29			
A. Maune	314,770	25,597		292,205	25,907		365,025	34,112		47,040	4,982		89,320	9,394		83,650	9,256			
L. Maune	109,200	8,880		126,960	11,256		31,990	2,989		60,515	6,410		6,190	651		51,960	5,749			
R. Crist	417,505	33,952		537,090	47,618		448,225	41,887		304,955	32,301		331,817	34,518		162,900	18,025			
Strackeljohn	97,845	7,957		63,750	5,652		121,630	11,366		181,655	19,241		115,330	12,129		98,470	10,896			
L. Maune #4	36,805	2,993		35,065	3,109		39,760	3,716		11,690	1,238		6,100	642		3,100	343			
Finnup Gas Unit	5,405	440		7,355	652		27,695	2,588		42,115	4,461		36,960	3,887		28,510	3,155			
Wampler	47,190	3,743		28,950	2,503		30,830	2,818		28,650	3,020		3,880	408		3,610	399			
Stevenson	55,460	4,510		54,240	4,809		104,635	9,778		109,090	11,555		73,100	7,688		67,830	7,505			
S.W. Maune #4	69,625	5,662		113,275	10,043		142,060	13,275		153,675	16,277		82,660	8,693		92,270	10,210			
S.W. Maune #4 (Magruder)	290	24								655	69		390	41		0	0			
S.W. Maune #4 (Holmes Ranch)	290	24								655	69		390	41		0	0			
Aeilts Gas Unit	47,300	3,846																		
Wright Gas Unit	28,995	2,358		27,660	2,452		33,480	3,129		33,605	3,559		33,290	3,501		25,650	2,838			
Num Gas Unit	20,385	1,658		22,705	2,013		26,630	2,489		18,680	1,979									
Aeilts #5				64,845	5,749		80,925	7,562		84,155	8,914		60,380	6,350		51,620	5,711			
Yard-Shallow Water Pool Unit	1,910	155		1,910	169		1,760	164		1,760	186		2,000	210		2,000	221			
Finnup Gas Unit - RI				150	13		65	6		90	10		530	55		300	33			
79 Int'l Truck	3,415	278		2,605	231		2,140	200		1,755	186		1,455	153		0	0			
Wampler (1-8)							8,400	768		3,125	329		3,640	383		660	73			
Wampler (2-8)										2,240	237		740	78		300	33			
Wampler A-1										4,360	462		3,380	355		3,120	345			
Wampler B-1										6,435	682		3,950	415		3,200	354			
80 Home Trl.-Office Trl.				1,285	114		1,285	120		1,285	136		1,285	137		1,275	141			
	1,775,800	144,313	0.081	1,777,235	157,506	0.089	1,822,960	170,276	0.093	1,363,665	144,423	0.106	1,055,727	110,651	0.105	855,955	94,709	0.111		
raham																				
Spies	13,405	1,129		26,590	2,632		20,375	2,040		5,638	721									
Knipp	352,255	20,413		302,870	19,496		200,576	15,013		37,055	3,836		32,228	3,881		32,880	4,163			
Morel SWD	58,795	3,407		44,220	2,846		44,220	3,310		44,221	4,577		21,777	2,622		555	70			
LKC	69,235	4,012		54,170	3,487		52,145	3,903		34,138	3,534		7,485	901		5,290	670			
Cassell	38,125	3,501		32,515	2,738		12,646	1,245		2,510	265									
Montgomery	83,080	7,679		79,375	6,740		4,411	437		3,298	348									
Jones	47,855	4,423		19,750	1,677		16,153	1,599		5,720	604									
Callison	33,960	3,132		16,125	1,358		11,222	1,105		0	0									
Jeffery	1,095	92		285	28		498	50		632	81		1,565	205		900	112			
A.E. Tidball Twin	310	24		294	21					0	0									
I.C. Hanna	705	54		3,517	253		2,648	234		1,399	134		966	121		643	78			
Montgomery-Brown ORRI				19,504	1,656		22,765	2,253		2,433	257									
Damar-Cassel							3,635	358		1,996	211									
Montgomery Brown #2							555	55		0	0									
	698,820	47,867	0.068	599,215	42,932	0.072	391,849	31,603	0.081	139,040	14,568	0.105	64,021	7,730	0.121	40,268	5,093	0.126		

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County	1983			1984			1985			1986			1987			1988			
	Lease	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate
Harvey																			
Furley Unit																			
Lucy	17,855	1,433		16,075	1,181														
Allen	14,410	1,156		7,770	571														
	32,265	2,589	0.080	23,845	1,752	0.073	0	0	0.000	0	0	0.000	0	0	0.000	0	0	0.000	
Kearny																			
M. Maune	342,830	12,794		115,685	5,452		170,895	8,077		203,905	8,189		198,670	7,790		39,760	1,852		
Harshbarger	65,985	2,463		29,920	1,410		35,155	1,661		31,440	1,263		1,790	70		1,675	78		
Harshbarger Royalty										1,670	67		585	23		0	0		
Beymer Appleman	470	22		400	23		460	69		505	27		530	24		415	23		
Thornbrough Unit										13,265	702		26,310	1,192		26,490	1,448		
Thornbrough	8,745	416		4,745	268		9,710	555		0	0								
Van Doren	60,315	2,871		32,255	1,820		36,405	2,081		0	0								
A. Miller	7,810	372		4,770	269		4,320	247		0	0								
Johnson	16,020	763		30,545	1,724		12,170	696		9,675	512		10,215	463		7,720	422		
Beymer B	5,190	247		315	18		315	18		0	0		9,805	444		9,860	538		
Beymer B #2	2,545	121		895	51		1,000	57		755	40		910	41		655	36		
Beymer	64,545	3,072		116,755	6,590		25,410	1,452		13,290	703								
	574,455	23,141	0.040	336,285	17,624	0.052	295,840	14,913	0.050	274,505	11,502	0.042	248,815	10,047	0.040	86,575	4,397	0.051	
Kingman																			
Althouse	26,440	2,000		59,330	4,341		40,550	3,524		13,975	1,385		8,460	957		8,870	970		
Althouse A	99,990	7,562		100,980	7,388		117,925	10,248		45,065	4,467		37,935	4,293		37,740	4,130		
Althouse SWD	225	17		225	16		225	20											
Brown A	93,135	8,487		119,600	10,573		106,365	10,382		41,025	4,280		37,410	4,175		33,530	3,631		
Foley A	49,825	4,541		26,695	2,360		41,875	4,087		13,885	1,448		15,170	1,693		5,250	569		
Lindholm SWD- 1/2 (Foley Leslie)	225	10		225	10		225	11		113	12		92	10		92	10		
Lindholm SWD- 1/2 (Foley - SW)										113	12		93	10		93	10		
Kostner	102,580	7,758		89,585	6,554		88,035	7,650		6,005	595		37,780	4,276		19,075	2,087		
Foley-Leslie	91,120	8,304		57,035	5,042		86,715	8,464		16,980	1,771		17,545	1,958		7,330	794		
Foley-SW	103,935	9,472		106,865	9,447		111,055	10,840		35,320	3,685		32,375	3,613		29,330	3,177		
Ash	35,315	3,218		10,815	956		28,210	2,754		3,895	406		9,120	1,018		5,735	621		
Turner	55,685	5,075		77,175	6,822		71,925	7,021		12,705	1,325		18,350	2,048		16,795	1,819		
Swingle - RI										11,780	865		3,435	293		3,815	346		
Swingle	334,355	17,901		234,695	12,624		130,715	8,384		73,475	5,397		39,135	3,337		44,420	4,031		
Brown B	44,990	4,100		63,335	5,599		50,175	4,898		33,080	3,451		27,225	3,038		25,715	2,785		
Whitelaw	12,585	952		5,550	406		5,500	478		0	0								
Kostner 3C-1	5,855	443		4,075	298		20,405	1,773		5,030	499		5,900	666		8,800	963		
	1,056,260	79,850	0.076	991,225	74,318	0.075	921,245	81,899	0.089	312,446	29,598	0.095	290,025	31,385	0.108	246,590	25,943	0.105	

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5/1/88

County	1983			1984			1985			1986			1987			1988					
	Lease	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate		
Kiowa																					
	Booth #1	70,375	3,804		72,065	4,269		13,060	918		62,030	4,418		6,583	494		15,899	1,339			
	Cobb #1	51,555	282		6,605	326		13,535	722		13,845	854									
	Dorsett #1	8,830	477		7,235	429		6,180	435		5,985	426									
	Fisher A #1										133,610	9,516		38,876	2,918		16,969	1,429			
	Koehn #1	5,120	277		315	19		315	22		315	22									
	Parkin	17,245	942		29,505	1,455		10,115	539		20,455	1,262		8,474	518		13,392	960			
	Alton Unruh A	554,680	29,984		402,615	23,853		37,350	9,657		136,940	9,753									
	Alton Unruh B	32,995	1,784		20,110	1,191		26,150	1,839		57,900	4,124		16,222	1,218		8,741	736			
	Curtis Unruh	17,545	948		66,980	3,968		11,680	821		35,475	2,527		38,631	2,899		38,027	3,202			
	Curtis Unruh-Marmaton	575,085	31,087		385,750	22,854		122,880	8,640		61,160	4,356									
	J.C. Unruh D	70,970	3,836		43,865	2,599		20,995	1,476		30,545	2,175		24,869	1,866		15,049	1,267			
	Yost #1	178,625	9,656		33,565	1,989		6,895	485		4,010	286									
	Curtis Unruh A 1	101,720	5,499		5,755	341		4,865	342		3,720	265									
	Dorsett #2				55,155	3,289		6,955	489		4,270	304		16,502	1,238		5,950	501			
	Emerson A	196,185	10,605		266,405	15,783		163,065	11,465		23,850	1,699									
	Koehn #2				43,370	2,569		7,500	527		4,105	292		3,526	265		3,117	262			
	Kiowa Coy Yard				2,830	140					0	0									
	Vieux #1	208,380	11,264		96,830	5,737		51,005	3,586		9,295	662									
	Alton Unruh C	165,705	8,958		247,980	14,692		65,120	4,579		20,400	1,453									
	Yost G.I. #2				28,790	1,706		2,780	195		3,230	230		2,420	182		5,534	466			
	Yost G.I. #3				14,165	839		13,410	943		11,300	805		5,964	448		150	13			
	Yost G.I. #4				1,775	105		1,775	125		121,800	8,675		11,644	874		38,151	3,213			
	Dewayne Unruh #1							3,190	224		3,700	264									
	Stewart #2							3,830	269		4,055	289									
	Yost Oil Unit Royalty										610	43									
	Yost G.I. #4 Royalty										39,675	2,826		5,025	377		11,680	984			
	Fisher A #1 Royalty										3,005	214		990	74		510	43			
	Alton Unruh C Royalty										3,395	242									
	Vieux #1 Royalty				3,745	222		2,170	153		820	58									
	Unruh Unit													65,937	4,948		17,027	1,434			
		2,255,015	119,404	0.053	1,835,410	108,374	0.059	594,820	48,451	0.081	819,500	58,040	0.071	245,663	18,319	0.075	190,196	15,849	0.083		
Morris																					
	Williams	50,955	4,167		13,180	1,016		28,720	2,568												
	Porter A	11,510	941		29,835	2,299		11,670	1,043												
	Viar	11,090	924		9,650	760		9,905	900												
	Viar #1	28,615	2,384		5,740	452		4,385	398												
	Huston #1	5,840	487																		
		108,010	8,902	0.082	58,405	4,527	0.078	54,680	4,909	0.090	0	0	0.000	0	0	0.000	0	0	0.000		

5-41
5-9

County	1983			1984			1985			1986			1987			1988		
	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate
Pawnee																		
Spence	15,400	1,276		13,080	1,126		6,520	618		5,920	562							
Wilson	44,480	3,685		57,550	4,954		20,520	1,946		25,510	2,423							
	<u>59,880</u>	<u>4,960</u>	0.083	<u>70,630</u>	<u>6,081</u>	0.086	<u>27,040</u>	<u>2,564</u>	0.095	<u>31,430</u>	<u>2,985</u>	0.095	0	0	0.000	0	0	0.000
Pratt																		
75 Trailer	160	20		155	19		140	17		125	15		115	17		100	15	
Bailey	500	47		100	9													
	<u>660</u>	<u>67</u>	0.101	<u>255</u>	<u>28</u>	0.109	<u>140</u>	<u>17</u>	0.119	<u>125</u>	<u>15</u>	0.122	<u>115</u>	<u>17</u>	0.148	<u>100</u>	<u>15</u>	0.150
Rice																		
Odessa Field (Kraft)	725	54		736	61		160	16		480	48		341	32		140	15	
	<u>725</u>	<u>54</u>	0.075	<u>736</u>	<u>61</u>	0.083	<u>160</u>	<u>16</u>	0.100	<u>480</u>	<u>48</u>	0.100	<u>341</u>	<u>32</u>	0.094	<u>140</u>	<u>15</u>	0.107
Rooks																		
Copeland	11,615	560		6,620	359		6,750	423		5,335	470		2,446	257		2,959	338	
1978 & 1975 Trailers	390	19		390	21		285	18		285	25		285	30		135	15	
	<u>12,005</u>	<u>579</u>	0.048	<u>7,010</u>	<u>380</u>	0.054	<u>7,035</u>	<u>441</u>	0.063	<u>5,620</u>	<u>495</u>	0.088	<u>2,731</u>	<u>287</u>	0.105	<u>3,094</u>	<u>353</u>	0.114
Russell																		
Midway (Bender C)	2,890	231		700	65		3,655	301		2,318	254		1,301	150		412	46	
	<u>2,890</u>	<u>231</u>	0.080	<u>700</u>	<u>65</u>	0.093	<u>3,655</u>	<u>301</u>	0.082	<u>2,318</u>	<u>254</u>	0.110	<u>1,301</u>	<u>150</u>	0.115	<u>412</u>	<u>46</u>	0.112

5.14.88

County	1983			1984			1985			1986			1987			1988			
	Lease	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate	Valuation	Tax	Rate
Scott																			
	Gladys Martin	150	13																
	Lang B	1,950	172		150	11		150	15		150	14		135	14		135	16	
	Harkness	50,635	4,470		4,760	361													
	Gruben A	37,875	3,344		15,690	1,189		47,620	4,640		35,450	3,284		5,575	594		29,956	3,595	
	Rhoda Crist A 1	76,310	6,737		128,265	9,721		119,090	11,603		98,040	9,081		56,215	5,992		71,648	8,598	
	R.L. Crist A	182,500	16,111		175,370	13,291		142,150	13,850		115,760	10,723		56,494	6,021		27,489	3,299	
	E.J. Baker #1	66,700	5,888		44,010	3,336		52,500	5,115		44,920	4,161		18,660	1,989		2,820	338	
	Rhoda Crist	20,615	1,820		22,360	1,695		19,490	1,899		4,110	381		5,630	600		3,224	387	
	Patton B	71,120	6,278		51,715	3,919		82,590	8,047		60,915	5,643		60,875	6,488		48,923	5,871	
	Shallow Water Unit	37,705	3,329		52,925	4,011		37,470	3,651		9,890	916		6,576	701		6,590	791	
	Smith	423,490	37,386		387,960	29,403		383,090	37,324		104,360	9,667		87,449	9,321		82,874	9,945	
	Smith A	315	28								0	0							
	Smith B	315	28								0	0							
	Collingwood B	1,950	172		73,205	5,548		101,860	9,924		85,550	7,925		41,649	4,439		8,692	1,043	
		971,630	85,775	0.088	956,410	72,486	0.076	986,010	96,067	0.097	559,145	51,794	0.093	339,258	36,159	0.107	282,351	33,883	0.120
Stafford																			
	Curtis	30,575	1,944		8,125	720		11,825	1,097		6,425	640		5,170	630		4,720	594	
	O'Dell A	29,580	2,137		46,370	4,111		42,355	3,928		24,985	2,491		21,110	2,574		19,370	2,439	
		60,155	4,081	0.068	54,495	4,832	0.089	54,180	5,024	0.093	31,410	3,131	0.100	26,280	3,204	0.122	24,090	3,033	0.126
Sedgwick																			
	Furley Unit																		
	R. DuBois	21,180	1,877		11,640	1,030					0	0							
	Sanders	16,460	1,459		3,970	351		160	15		0	0							
	Harrison	4,640	411		3,310	293					0	0							
	Bartholomew																		
	Bartholomew Unit (2)	74,330	6,821		50,440	4,504		38,530	3,527		30,040	2,736		21,200	2,105		6,420	624	
	Bartholomew Lease	5,540	508		4,170	372		4,040	370		3,570	325		2,550	254		17,620	1,720	
	Bartholomew Yard	3,650	335		1,760	157		2,120	194		2,120	193		970	97		4,820	471	
	Alexander	23,690	2,367		23,950	2,355		19,400	1,971		6,470	651		3,740	399		3,480	369	
	Cheney Truck/Yard	60	8		1,130	144		650	83		850	107		1,110	134		810	111	
	City Business - ICT	14,360	1,714		7,240	949		5,510	699		4,860	639		3,890	549		3,770	564	
		163,910	15,499	0.095	107,610	10,156	0.094	70,410	6,859	0.097	47,910	4,651	0.097	33,460	3,538	0.106	36,920	3,859	0.105
Sheridan																			
	Transue	38,684	4,432		39,460	4,673		27,690	3,264		5,699	656							
	Richards Estate A #1	24,623	2,821		14,945	1,770		3,942	465		3,091	356							
	Richards Estate A #1 Royalty				2,394	284		702	83		839	97							
		63,307	7,252	0.115	56,799	6,726	0.118	32,334	3,812	0.118	9,629	1,109	0.115	0	0	0.000	0	0	0.000

HOUSE COMMITTEE ON TAXATION
February 10, 1989

HB 2042 and HB 2184

TESTIMONY OF SPENCER L. DEPEW
Wichita, Kansas

My name is Spencer L. Depew. I am a practicing Attorney at Law residing in Wichita. Historically, a large part of my law practice has consisted of representing various Kansas independent oil and gas operators. In view of recent developments relating to the prices of oil and gas produced in the State of Kansas, I am not sure that I have any clients left.

I am presently a member of the Board of Directors of the Kansas Independent Oil & Gas Association and I am currently serving as the Chairman of the KIOGA State Legislative Committee.

The Kansas independent oil and gas operator has long prided himself upon his ability to survive the most adverse circumstances. The surviving Kansas independent operators are truly "survivors". In many ways this appearance before your Committee represents a new experience for the Kansas independent oil and gas operator. Until recent years he has always felt that he could compete with anyone in the market place, but now as a Kansas producer he finds that he is in the most heavily taxed segment of a national energy industry, which industry is in shambles. The Kansas independent oil and gas producer has no alternative other than to ask for your help.

2/10/89
Attachment 6

House Bill No. 2042 seeks to amend K.S.A. 1988 Supp. 79-4217. The only changes in the present law which are contained in House Bill No. 2042 are to increase the statutory definitions as to those oil wells which will be exempt from the Kansas severance tax. This Bill in no way modifies the Kansas severance tax, which is stated in subparagraph (a), to be "8% of the gross value of all oil or gas severed from the earth or water in this state..." The present law exempts from the severance tax the production of oil which is produced from a lease whose average daily production is two barrels or less per well. The balance of the exemptions are tied to producing depth, average price of oil per barrel and average daily production of oil per well. It is especially interesting to note that the statute makes reference to oil being in the range of \$30.00 per barrel and \$24.00 per barrel. Those are references to historical bench marks as I know the members of this Committee are aware of the fact that oil dropped to \$12.00 per barrel in 1988. There has been a slight recovery in price so that today the posted price for forty gravity crude is \$16.25 per barrel. The producers would like to think that we have seen the last of the days of \$12.00 oil, but there are no such assurances when living in a world where the price of oil is controlled by the governments of foreign powers who would be delighted to see all Kansas wells plugged and abandoned. KIOGA urges the proposed enlargement of the oil exemptions and supports adoption of House Bill No. 2042.

House Bill No. 2184 is a different type of proposed legislation. This Bill seeks to amend K.S.A. 79-4219, which statute has remained unchanged since its adoption in 1983. House Bill No. 2184 seeks to place oil and gas on an equal basis insofar as the calculation of the credit as provided in K.S.A. 79-4219. As the law now reads, there is a credit upon the severance tax in an amount equal to 3.67% of the gross value of oil severed and taxable and there is allowed a credit against the severance tax upon the severance and production of gas in an amount equal to 1% of the gross value of gas severed and taxable. In 1983 when the severance tax was enacted the Legislature saw a difference between the credit on gas and oil because it was felt that most of the Kansas gas production was in the Hugoton Field and a large part of the gas produced from that field was transmitted by interstate pipelines for out of state consumption. In those days most of the gas purchase contracts relating to natural gas to be transported in interstate commerce contained a provision that allowed the producer, whether the working interest or the royalty interest, to be reimbursed for production taxes. The Kansas severance tax was one of those production taxes, and the feeling was that the producers would be reimbursed for the severance tax upon natural gas produced in Kansas and that the ultimate burden of the same would fall upon the nonresident consumers. The Natural Gas Policy Act as adopted by Congress

recognized that production taxes were proper expenses for the gas purchaser and that the same could be passed through and added on to the purchase price for the gas.

As so frequently happens when you attempt to rely upon national policies established in Washington D.C., the rules of the game changed. The Federal Energy Regulatory Commission decided that the prices of natural gas should be decontrolled and by a series of FERC Orders affecting existing gas contracts, the market place for the purchase of natural gas changed completely. The result of this changing environment is that today a large part of the natural gas produced in the State of Kansas, whether sold into the interstate market or the intrastate market, has been denied the benefits which would flow from reimbursement of any Kansas severance tax paid and today the producers, including the royalty owners, are faced with paying out of their own pocket that portion of the Kansas severance tax for which they previously received reimbursement from the natural gas purchasers. Long term natural gas purchase contracts are on the way out; long term fixed price natural gas contracts are on the way out; most of the natural gas being produced today is being sold on short term contracts with prices floating and they are totally dependent upon the spot gas markets.

That is the reason House Bill No. 2184 has been filed and is before you for your consideration today. This Bill places

natural gas and crude oil on a comparable basis insofar as the calculation of the credit against the severance tax. The wisdom of the Kansas Legislature in 1983 is not really the question before this Committee today. In 1983 the Legislature felt that natural gas and crude oil should be treated differently; this difference was predicated, rightly or wrongly, upon a belief that natural gas did not need as large a credit as crude oil because the ultimate burden was not being placed upon Kansas producers and royalty owners. Today, for all practical purposes, the reimbursement of the Kansas severance tax on natural gas is gone and the price of natural gas substantially reacts the same to the market place as does the price of crude oil. Therefore, it is the opinion of the Kansas Independent Oil & Gas Association that the severance tax credit for oil and gas should be in an amount equal to 3.67% of the gross value of oil or gas severed and taxable under the act. That is the purpose of House Bill No. 2184, which Bill we wholeheartedly endorse.

You have already heard from prior witnesses of the tax burdens which are in place today upon the Kansas oil and gas producer. I am not asking that the Kansas oil and gas producers be given any unfair advantage over other producers in today's market place; all I am asking for is a recognition and acknowledgement of the fact that the Kansas independent oil and gas producers play an important role in Kansas industry and commerce and that they should receive fair treatment.

AMENDED
TESTIMONY TO HOUSE TAXATION COMMITTEE
RE: HB 2184
PRESENTED BY RONALD R. HEIN
ON BEHALF OF MESA LIMITED PARTNERSHIP
FEBRUARY 10, 1989

Mr. Chairman, members of the committee:

My name is Anne Smith, and with Ron Hein, I represent Mesa Limited Partnership. Mesa is an oil and gas exploration and production company headquartered in Amarillo, Texas. The company has significant reserves and production in the state of Kansas, primarily located in the Hugoton gas field in southwest Kansas.

Mesa supports enactment of HB 2184 for several reasons. Oil and gas production is important to the state of Kansas. This industry promotes economic development, which in turn benefits the state and its citizens.

In 1982 and 1983, the testimony given at the time was that the severance tax on natural gas could be passed through to the consumers who utilized the gas in other states under then existing federal regulations. The gas that would be shipped out of state was estimated to be from 60% to 80%, and thus, the severance tax would also be passed out of state.

Now, however, market conditions have changed. The tax is directly upon Kansas producers who either have to eat the tax in its entirety or, who, in future years, will have to increasingly pay the tax without any benefit of passthrough. Thus, the severance tax, in addition to the ad valorem tax, places a "chilling effect" upon the marketability of the gas by Kansas producers.

When the severance tax was proposed, the issue was argued that Kansas should not add a state severance tax onto the local ad valorem tax, because the addition of the state severance tax would make Kansas the highest taxing state in the nation on oil and gas. That fact has not changed, and the tax now imposed on the oil and gas industry is among the highest, if not the highest, in the entire nation.

This bill will help encourage new production. Mesa alone currently pays 14% of gross revenues in Kansas severance taxes and ad valorem taxes, which along with flat gas prices are a major deterrent to new production. New production in Kansas would benefit the state tremendously, and would also increase the severance tax revenues to the state.

*2/10/89
Attachment 7*

It would be impossible to predict with any certainty how much additional production could result from reducing the tax rate. Any additional production would generate severance and ad valorem taxes to the state and the local units of government, thereby offsetting some of the decreases in revenues indicated by the fiscal note.

Mesa estimates that by reducing the severance tax, which is an offset or deduction from the ad valorem tax, the local units of government would receive increased ad valorem tax revenues sufficient to offset losses to the County Mineral Production Tax Fund.

Mr. Chairman, I understand that Ron Hein had informed you of his commitment out of state today, but that he will answer any questions that the committee may have at a later time. Thank you for permitting Mesa to testify this morning on House Bill 2184.

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"Service to County Government"

February 10, 1989

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Executive Director
John T. Torbert

Testimony

House Taxation Committee

By John T. Torbert, Executive Director
Kansas Association of Counties

Subjects - HB 2042 & HB 2184

The Kansas Association of Counties, at our annual business meeting in November unanimously adopted the following statement;

Exemptions - The Kansas Association of Counties supports the preservation of the property tax base for local governments and strongly opposes further erosion of that base by the granting of additional constitutional or statutory exemptions or the elimination of other revenue sources for local governments. In some counties, oil and gas property and production are a significant portion of the tax base. The legislature should not take any action which would reduce the revenue which the counties receive from those sources.

Information already furnished to this committee by the legislative research department indicates that counties will receive approximately \$5.3 million in revenues in FY '89 from oil and gas severance taxes and about \$5.8 million in FY '90.

We are officially on record as opposed to any legislation that would have the impact of reducing these amounts. In some counties of the state, the impact on their revenue base from reductions in severance tax would be substantial.

Right now, the local tax system in this state is in a very unsettled condition. We are going through the first property reappraisal in more than two decades and classification is being implemented at the same time. Additionally, we are in a two year budget freeze.

Nobody knows at this time what the results of all this is going to be. I urge the committee to "let the dust settle" and allow us to catch our breath before talking about further reductions or changes in our tax base. Remember that exemptions and credits don't mean that taxes go down. Those that pay taxes will pay more.

2-10-89
Attachment 8



KANSAS DEPARTMENT OF REVENUE

Division of Taxation

Robert B. Docking State Office Building
Topeka, Kansas 66625-0001

JOHN R. LUTTJOHANN *present*
Director of Taxation *Approved*

MEMORANDUM

TO: The Honorable Keith Roe, Chairman
House Taxation Committee

FROM: John R. Luttjohann
Director of Taxation

RE: House Bill 2042,

DATE: February 9, 1989

Thank you for the opportunity to appear today on House Bill 2042.

House Bill 2042, as introduced, would amend minerals tax statute K.S.A. 1988 Supp. 79-4217(b) by doubling the exemptions for crude oil production in the following subsections:

Primary Production Wells

- (b)(2)(A) 2 to 4 barrels on low production wells.
- (b)(2)(B) 3 to 6 barrels on wells 2000 feet or more in depth
OR
4 to 8 barrels if price is \$24.01 through \$30.00
5 to 10 barrels if price is \$16.01 through \$24.00
6 to 12 barrels if price is \$10.01 through \$16.00
7 to 14 barrels if price is \$10.00 or less.

Water Flood Wells

- (b)(2)(D) 3 to 6 barrels on water flood wells less than 2000 feet deep.
- (b)(2)(E) 4 to 8 barrels on wells 2000 feet or more
OR
5 to 10 barrels if price is \$24.01 through \$30.00
6 to 12 barrels if price is \$16.01 through \$24.00
7 to 14 barrels if price is \$10.01 through \$16.00
8 to 16 barrels if price is \$10.00 or less.

These changes would take effect July 1, 1989.

*2/10/89
Attachment 9*

At the price per barrel estimated by the Consensus Revenue Estimating Group of \$14.50/barrel for fiscal year 1990, these increased exemption amounts would decrease oil minerals tax collections in FY 1990 by about \$6.9 million. If the current price for oil of \$17.25 prevailed through FY 1990, the impact would be \$8.2 million for FY 1990. The general fund reductions would be \$6.4 million at \$14.50/barrel or \$7.6 million at \$17.25/ barrel. The remaining loss of revenue of \$500,000 to \$600,000 would be suffered by counties, who receive 7% of the minerals tax collections. One-half of the county funds go to school districts, one-half to county general funds.

This estimated fiscal impact is based on 1987 Kansas oil production data obtained from the Kansas Geological Survey. Exhibit I attached hereto shows two tables: the top table contains production for wells under 2000 feet deep. The second table applies to deeper wells, 2000 feet or deeper.

Exhibit I shows the production that would be exempted under current law as 21,950,022 barrels and under H.B. 2042 as 34,108,386 barrels. An assumption was made that one-half of all wells to which exemptions applied are water flood wells. The difference between these exemption amounts is 12,158,364 barrels. This amount must be "scaled down" to adjust for the difference in absolute size between 1987 gross production of 58.7 million barrels and that projected for FY 1990 of 53.0 million barrels. Applying the ratio of 53.0/58.7 or .902896 to 12.2 million reduces the exemption amount to 10.9777 or about 11.0 million additional barrels of production that would be exempted under this bill. Assuming the consensus estimated average price for oil in FY 1990 of \$14.50, the taxable value of the added exemption would be \$159.2 million and the fiscal impact would be \$6.892 or \$6.9 million. The new exemption amounts would apply to the production year, May, 1989 through April, 1990, so the entire amount of \$6.9 million would apply to the collections for fiscal year 1990. The general fund reduction would be 93% of this amount or \$6.4 million.

If it were assumed that the current oil price (1-17-89) of \$17.25 were to continue through FY 1990, the additional exemption's value would be \$189.4 million and the impact would be \$8.2 million. It should be pointed out that, under this price scenario, the barrels exempted would not change because the average price for the last half of calendar year 1988 is expected to remain in the \$10.01 through \$16.00 price bracket. Only the value of oil would change. The general fund reduction would be \$7.6 million.

Exhibit II shows the number of wells exempt under current law compared to the number of wells which would be exempt under the provisions of House Bill 2042.

Passage of House Bill 2042, would have a significant impact on the Mineral Tax Bureau workload. Currently, there is one individual assigned to this area on a full time basis with other personnel assisting as workload fluctuates. With the above exemption amounts doubling, another person would be required full-time in this area to handle the increase in number of wells being exempted and their associated data, problems and questions.

I would be happy to respond to any questions which you may have.

COMPUTATION OF PRODUCTION EXEMPTED

WELL DEPTH UNDER 2000 FT.

UPPER BBLS./WELL	PRODUCTION IN BARRELS	NO. OF BARRELS EXEMPTED		EXEMPT PERCENT OF TOTAL	
		CURRENT	H.B. 2042	CURRENT	H.B. 2042
1	1,092,153	1,092,153	1,092,153	100.00%	100.00%
2	1,373,194	1,373,194	1,373,194	100.00%	100.00%
3	1,134,309	567,155 *	1,134,309	50.00%	100.00%
4	1,159,915		1,159,915	0.00%	100.00%
5	961,927		480,963 *	0.00%	50.00%
6	608,855		304,428 *	0.00%	50.00%
SUBTOTAL	6,330,353	3,032,502	5,544,963	47.90%	87.59%
7 & above	7,746,186				
TOTAL	14,076,539	3,032,502	5,544,963	21.54%	39.39%

WELL DEPTH 2000 FT. OR MORE

UPPER BBLS./WELL	PRODUCTION IN BARRELS	NO. OF BARRELS EXEMPTED		EXEMPT PERCENT OF TOTAL	
		CURRENT	H.B. 2042	CURRENT	H.B. 2042
1	938,628	938,628	938,628	100.00%	100.00%
2	2,678,851	2,678,851	2,678,851	100.00%	100.00%
3	3,673,006	3,673,006	3,673,006	100.00%	100.00%
4	3,990,612	3,990,612	3,990,612	100.00%	100.00%
5	3,320,605	3,320,605	3,320,605	100.00%	100.00%
6	3,032,990	3,032,990	3,032,990	100.00%	100.00%
7	2,565,656	1,282,828 *	2,565,656	50.00%	100.00%
8	1,940,239		1,940,239	0.00%	100.00%
9	1,680,769		1,680,769	0.00%	100.00%
10	1,331,967		1,331,967	0.00%	100.00%
11	1,409,906		1,409,906	0.00%	100.00%
12	1,050,264		1,050,264	0.00%	100.00%
13	932,390		466,195 *	0.00%	50.00%
14	967,469		483,735 *	0.00%	50.00%
SUBTOTAL	29,513,352	18,917,520	28,563,423	64.10%	96.78%
14 & above	15,109,944				
TOTAL	44,623,296	18,917,520	28,563,423	42.39%	64.01%
GRAND TOTAL	58,699,835	21,950,022	34,108,386	37.39%	58.11%

SOURCE: KANSAS GEOLOGICAL SURVEY, CY 1987 GROSS OIL PRODUCTION DATA.

* ONE-HALF OF TOTAL PRODUCTION FOR WATER FLOOD WELLS

COMPUTATION OF WELLS EXEMPTED

WELL DEPTH UNDER 2000 FT.

UPPER BBLs./WELL	NO. OF WELLS	NO. OF EXEMPTIONS		EXEMPT PERCENT OF TOTAL	
		CURRENT	H.B. 2042	CURRENT	H.B.2042
1	8,245	8,245	8,245	100.00%	100.00%
2	3,034	3,034	3,034	100.00%	100.00%
3	1,427	714 *	1,427	50.04%	100.00%
4	1,049		1,049	0.00%	100.00%
5	675		338 *	0.00%	50.07%
6	350		175 *	0.00%	50.00%
SUBTOTAL	14780	11,993	14,268	81.14%	96.54%
7 & above	1,719				
TOTAL	16,499	11,993	14,268	72.69%	86.48%

WELL DEPTH 2000 FT. OR MORE

UPPER BBLs./WELL	PRODUCTION IN BARRELS	NO. OF EXEMPTIONS		EXEMPT PERCENT OF TOTAL	
		CURRENT	H.B.2042	CURRENT	H.B.2042
1	5,542	5,542	5,542	100.00%	100.00%
2	5,643	5,643	5,643	100.00%	100.00%
3	4,651	4,651	4,651	100.00%	100.00%
4	3,614	3,614	3,614	100.00%	100.00%
5	2,324	2,324	2,324	100.00%	100.00%
6	1,726	1,726	1,726	100.00%	100.00%
7	1,235	618 *	1,235	50.04%	100.00%
8	813		813	0.00%	100.00%
9	621		621	0.00%	100.00%
10	437		437	0.00%	100.00%
11	418		418	0.00%	100.00%
12	286		286	0.00%	100.00%
13	234		117 *	0.00%	50.00%
14	224		112 *	0.00%	50.00%
SUBTOTAL	27,768	24,118	27,539	86.86%	99.18%
14 & above	1,533				
TOTAL	29,301	24,118	27,539	82.31%	93.99%
GRAND TOTAL	45,800	36,111	41,807	78.84%	91.28%

SOURCE: KANSAS GEOLOGICAL SURVEY, CY 1987 GROSS OIL PRODUCTION DATA.

* ONE-HALF OF TOTAL PRODUCTION FOR WATER FLOOD WELLS

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H.B. 2042

EXHIBIT III

ESTIMATED ADMINISTRATIVE COSTS

1. Salary & Wages		
1 Tax Examiner II		\$21,220
2. Contractual Services		
Postage,		
2000 letters @.25		500
D.P. forms cost		700
3. Capital Outlay		
1 60x30 desk		340
1 Steno posture chair		125
1 12 column calculator		106
Total Mineral Tax Bureau Costs		\$22,991

There would be no impact to data processing except a one time charge to expand the adabase file:

Analyst	4 hrs.. @	\$16.00	\$ 64.00
Programmer	16 hrs..@	16.00	256.00
Total tracks leased	30 @	\$.09/1000	23.65
Total			\$ 343.65

Cost Summary:	One time	\$ 343.65
	FY 1990	\$22,991.00
	Total	\$23,334.65

q/b



KANSAS DEPARTMENT OF REVENUE

Division of Taxation

Robert B. Docking State Office Building
Topeka, Kansas 66625-0001

JOHN R. LUTTJOHANN
Director of Taxation

MEMORANDUM

TO: The Honorable Keith Roe, Chairman
House Taxation Committee

FROM: John R. Luttjohann
Director of Taxation

RE: House Bill 2184,

DATE: February 9, 1989

Thank you for the opportunity to appear today on House Bill 2184.

House Bill 2184, as introduced, would amend minerals tax statute K.S.A. 79-4219 to increase the tax credit on gas production from 1% of its gross value to 3.67%.

The change would take effect July 1, 1989.

When the minerals tax statutes were enacted in 1983, production a "credit" was granted to compensate for the costs of production. Oil production was granted a credit of 3.67%, and gas production a credit of 1%. In addition to the differing costs of producing gas and oil, the legislature looked to the proportion of Kansas production actually used within the state. It was determined that a significantly larger portion of Kansas gas production is exported than is Kansas oil production, hence, a greater portion of the tax burden could likewise be exported.

The estimated fiscal impact of this change would be a decrease in minerals tax collections of \$23.9 million annually. 93% of this loss, \$22.2 million, would be in State General Fund Revenues. The remaining 7%, \$1.7 million would be lost by the counties in which production occurs.

I would gladly respond to any question you may have.

*2/10/89
Attachment 10*



Kansas Legislative Policy Group

412 Capitol Tower, 400 West Eighth, Topeka, Kansas 66603, 913-233-2227

TIMOTHY N. HAGEMANN, Executive Director

**TESTIMONY TO
HOUSE TAXATION COMMITTEE
ON
HOUSE BILL 2184
FEBRUARY 10, 1989**

Mr. Chairman and members of the committee, I am Alan Steppat of Pete McGill and Associates. We appear on behalf of the Kansas Legislative Policy Group which is an organization of county commissioners who represent 24 oil and gas producing counties in the southwest part of the state. This group was originally formed to oppose the imposition of state severance taxes during the first term of Governor Carlin. This organization felt very strongly that severance taxes were not in the best interest of the State of Kansas nor the industry to which it would apply. We appear today in opposition to House Bill 2184.

Based on the current FY 1990 consensus estimate of severance tax, raising the gas property tax credit to 3.67% would reduce receipts approximately \$23.9 million on an annual basis. Of this amount, SGF receipts would decrease by \$22.2 million and county production tax fund receipts would decrease by \$1.7 million.

We sympathize with the industry, but we feel we cannot support this legislation. Kansas, Inc. is in the process of studying the oil and gas industry in

*2/10/89
Attachment II*

the state. The proposed study shall be completed in early 1990. We are in support of this study.

We respectfully urge you to not recommend this bill for passage.

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